EUROPE'S BUSINESS NEWSPAPER

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ARGENTINA
Economic U-turn deepens turmoil
Page 20

World News

Iran-Contra judge calls hearing over documents

Judge in the Iran-Contra arms trial excused the jury and set a public hearing for today to consider a proposed government compromise on the use of classified documents that the former marine Lt-Col Oliver North can use in his defence. Page 3

Sri Lanka toll

Security forces on full alert for Sri Lanka's first general election since 1977 killed four rebels as they fled after setting fire to a bus north-west of the capital, Colombo. Page 4

Book protest death

At least one person was killed in Srinagar when police opened fire on demonstrators as Moslem anger over a book by Salman Rushdie, Satanic Verses, spread to Kashmir.

Troops guard airport

All Soviet troops appear to have left Afghanistan except for some in the north and a few hundred at Kabul airport. Page 4

Chadli surprise visit

President Chadli Bendjedid left Algeria for a surprise visit to Libyan leader Muammer Gadaffi – two days ahead of a planned North African summit in Marrakesh, Morroco.

Barracks attacked

Argentine soldiers repelled an attack by an unidentified group of armed men on a provincial army barracks shortly before dawn yesterday.

18 die in prison cell

Human rights organisations have blamed Brazilian prison authorities for the death of 18 prisoners suffocated in a Sao Paolo police station's punishment cell. Page 3

Separatists kill 4

Suspected separatist gunmen killed four paramilitary policemen and a civilian in a truck ambush in north-east India about 45km from Imphal.

Steel mill strike

Clashes erupted at the steel mill in Zenica, central Yugoslavia, as 300 strikers demanded wage rises.

Avalanche kills 3

Four French climbers died and two more are missing after an avalanche high up on the Sierra Nevada mountains in southern Spain.

SA lawyer quits

A leading South African liberal lawyer, Krish Naidoo, said he no longer acted for Winnie Mandela, the anti-apartheid campaigner at the centre of a heated controversy over her unofficial bodyguards.

Seoul US riot

South Korean riot police fought running battles with thousands of club-wielding anti-American demonstrators trying to storm the parliament building in Seoul partly in protest over the coming visit of President George Bush.

Bhutto meets Deng

Pakistani Prime Minister Benazir Bhutto capped her visit to China by meeting senior leader Deng Xiaoping.

History for sale

The Dublin birthplace of playwright George Bernard Shaw has been advertised for sale on the international market at I£165,000 ($250,000).

Business Summary

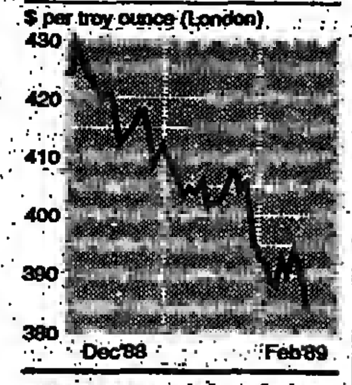
Japan trade surplus at record $7.57bn

JAPAN'S trade surplus in January widened for the fifth consecutive month to a record-breaking $7.57bn on a seasonally adjusted basis – a 2.5% increase over December – strengthening fears of a resurgence of protectionist measures.

GOLD bullion price fell to $383 a troy ounce at one point yesterday, its lowest level for more than two years, as the prospect emerged that the market might be given another body blow. Two Venezuelan

Gold Price

$ per troy ounce (London)



newspapers carried confusing reports that their country's central bank had approved a plan for a $600m gold loan. If true, the market would have to absorb 45 tonnes of the precious metal. Commodities, Page 30

MEETING in Hong Kong of predominantly local Chinese shareholders overwhelmingly rejected by a three-to-one majority the controversial bid by Mr Alan Bond, the Australian entrepreneur, to buy out the 33.8 per cent public holding of his Hong Kong-based Bond Corporation International. Page 21

DAIMLER-BENZ, diversified West German motor group, said net profits showed a slight drop last year, weighed down by lower car sales in the domestic and US markets. Page 21

NORTHWEST Airlines of the US signed a firm contract for the purchase of 10 European Airbus A-330 wide-bodied twin-engined medium-range jet airliners, worth about $900m (£500m). Page 6

ENIMONT, newly formed joint venture chemicals company owned by the state-controlled Enichem and the Ferruzzi-Montedison group, is planning to spend around $1bn on acquisitions within the European chemicals sector. Page 24

EUROPEAN COMMUNITY unemployment rate dropped by the end of last year to 10%, the lowest point since mid-1983. Page 2

RJR NABISCO, US food conglomerate, sold its South African confectionery unit Royal Beechnut, to South Africa's Imerman Group. Page 22

BIOGEN, US biotechnology company, reduced its losses from $22.6m in 1987 to below $1.2m last year, reporting revenue growth from a diversified product line. Page 22

DALGETY, food, agribusiness and commodity group, became the first UK public company to report adverse effects of the current British food safety scare. Page 21

MARINA Development Group, UK property group, said it was in talks with a third party which may lead to a higher bid than that from UK developers Local London Group after a court temporarily froze the hostile LLG offer, worth £77.7m ($137m).

PROPOSALS for a partial privatisation of the Indian public sector have been made by a high-level government committee which argues for a radical deregulation of the Indian capital markets. Page 28

UBS announces £115m loss on its London securities business

By David Lascelles, Banking Editor, in London

UNION BANK of Switzerland, the largest Swiss bank, disclosed yesterday that it had suffered losses totalling more than £115m ($202m) on its London securities business since April 1987. This makes it one of the largest known casualties of the recent turmoil in the world stock markets.

Mr Rudolf Mueller, UBS executive vice president and head of its UK operations, said that his bank had decided to make a full public accounting of its losses in order to quell speculation which was threatening to damage the bank. Special meetings were called at the London office last night to brief staff.

In a detailed account of his bank's experiences in London over the past two years, he said that the performance of the UK securities business had been "totally unacceptable" and had forced UBS to make far-reaching changes in its management and structure. But he stressed that UBS had decided against mass redundancies along the lines of other investment houses. Instead it wanted to make "a fresh start" and emphasise its long-term commitment to London, which it believed would remain Europe's leading financial centre for the foreseeable future.

The losses were incurred almost entirely through Phillips & Drew, the stockbroking firm which UBS bought in 1986 in preparation for the Big Bang for an undisclosed sum.

The worst of them came in Phillips & Drew Securities, the equity broking and market making arm of the group. In the year ending March 1988, it lost £66m, and in the subsequent nine months it lost a further £30m.

The biggest single cause was a £48m loss due to the market crash of October 1987. This included a loss of £21.5m on P&D's share of the disastrous £857m Blue Arrow rights issue at the end of 1987, to which it was broker and held 4.9 per cent. In addition, UBS' London branch held a Blue Arrow stake whose losses were covered by an indemnity from County NatWest, the manager of the issue.

In addition P&D lost large sums of money through the severe disruption of its settlement systems, and aggressive position-taking in the equity market in the period before the crash, which "caught us very much by surprise," Mr Mueller said.

Since the market crash, UBS has cancelled the management contract which gave former P&D partners control of the firm, and has integrated it more closely into its London investment banking business. Most of the firm's partners have now left, including Mr Bryce Cottrell, the chairman, who retired at the end of last year.

In common with other members of the gilts market, P&D's gilt-edged dealing company also registered losses totalling £13.3m since April 1987 despite capturing an estimated 10 per

Continued on Page 20

Executives arrested in Tokyo share scandal

By Ian Rodger in Tokyo

TWO FORMER managing directors of Nippon Telegraph and Telephone (NTT), Japan's largest company, were being held in a Tokyo jail last night after being arrested and charged with taking bribes from the Recruit publishing group.

Two other businessmen were also detained in the first high-level arrests arising from the Recruit scandal, which has rocked the Japanese political scene since June and has led to the resignation of three Cabinet ministers and the NTT chairman.

The charges against Mr Toshihiko Hasegawa and Mr Ei Shikiba, the former NTT managing directors, allege the two went to extraordinary lengths to help Recruit enter, and succeed in, the telecommunications business.

In return for their support, Mr Hasegawa and Mr Shikiba were allegedly offered the opportunity to buy shares in Recruit Cosmos, a subsidiary of the publishing group – on which they made large profits.

Mr Hiromasa Ezoe, Recruit's founder and former chairman, and Mr Hiroshi Kobayashi, who was vice president of another Recruit subsidiary, First Finance, were arrested and detained after being charged with bribing the NTT officials.

Although arrests have been expected for some time, the scale of the public prosecutor's action appears to have startled many people in Japan. The arrests dominated evening television news programmes and newspapers ran extra editions.

Mr Noboru Takeshita, the Prime Minister, who has been shaken already by a decisive by-election defeat at the weekend, said: "I believe the prosecutor has been conducting a fair and stringent investigation."

The public prosecutor first became interested in Recruit's activities last August after the disclosure of a clumsy attempt by the company to bribe an opposition politician to moderate his inquiries into suggestions of malpractice. But few people expected the investigation to lead very far.

The scandal came to light in June when a newspaper learnt that the fast-growing Recruit publishing group had offered 76 politicians and businessmen shares in Recruit Cosmos before its flotation in autumn 1986.

Subsequent inquiries revealed a massive programme of financial donations by Recruit to politicians, civil ser-

Continued on Page 20

A troubled Mr Noboru Takeshita, the Japanese Prime Minister, ponders questions from the opposition in Parliament yesterday

UK picks softer words for French cheese

By Tim Dickson in Brussels

MR JOHN MACGREGOR, the UK Agriculture Minister, yesterday sought to soothe French anger about British warnings last week that certain types of soft cheese can cause listeriosis.

In a bilateral meeting on the fringes of the regular monthly meeting of European Community farm ministers in Brussels, Mr MacGregor assured his French counterpart, Mr Henri Nallet that, contrary to rumours in the UK, Britain had no plans to ban the sales of products made from unpasteurised milk.

Mr MacGregor, however, confirmed that Britain intended to ban the remaining sales of unpasteurised milk made direct to the UK consumer and that, as part of the consultative process, it would "make sense" to look at certain cheeses.

An angry Mr Nallet, however, was still unhappy about what he called "an unjustified campaign" against French cheese and said it was "a real scandal" that the UK's chief medical officer, Sir Donald Acheson, had included soft cheeses such as Brie and Camembert in his warning to consumers last week.

The French Government is clearly anxious about the possible commercial consequences for French cheese sales in the UK. Mr Nallet stressed yesterday that his Government had gone to great lengths to improve controls on cheese products, notably those sent for export, and insisted that none of the samples of French cheese randomly checked in the UK last year or this year was found to be contaminated with listeria. It was being

Continued on Page 20

US plays down arms differences with Bonn

By David Marsh in Bonn and Hilary Barnes in Copenhagen

US OFFICIALS last night voiced confidence that Washington and Bonn could find a compromise agreement to bridge disagreements over the necessity of updating short-range nuclear missiles in West Germany in the mid-1990s.

The officials were attempting to play down discord with the Federal Republic over maintaining Nato's nuclear deterrent into the next decade as Mr James Baker, the US Secretary of State, continued talks in Bonn on the nuclear question.

However, Chancellor Helmut Kohl added somewhat to the confusion by reaffirming, shortly before meeting Mr Baker, that Bonn would in certain circumstances contemplate the "third zero-option", or the complete elimination of short-range missiles in Europe.

Both the US and British Governments maintain that short-range nuclear arms will be necessary for the foreseeable future and Mr Baker has made it clear that he wants the allies to agree this year on the need to upgrade weapons in this category.

Mr Kohl told reporters: "There are strong political forces in West Germany who want a third zero option now. We naturally keep this option open. We don't want a third zero option now, because we don't want to make any early concessions."

Aides to the Chancellor said that in referring to keeping the third zero option alive, he was alluding only to the hypothetical situation that would arise if the forthcoming talks on conventional arms in Europe led to agreed cuts.

Mr Baker, on a tour of Nato capitals, met Mr Hans-Dietrich Genscher, the West German Foreign Minister, on Sunday evening for discussions which the German ministry was at pains to say were warm and open. He returned to Bonn yesterday afternoon to see Mr Kohl after short visits to Oslo and Copenhagen.

Mr Kohl said last week that Nato would not need to make a real decision until 1991-92 on producing new missiles to replace the Lance weapons currently stationed in West Germany, which are expected to reach the end of their active life in 1995.

The US wants its allies this year to accept in principle the need for more modern weapons in Western Europe. This is because the US Congress needs a commitment from Nato in favour of a Lance follow-on before it can vote funds for developing prototypes.

The US believes that agreement could be reached to go ahead with developing a successor weapon while delaying the actual decision on production and deployment until after the 1990 election in West Germany.

In Copenhagen, Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, yesterday urged Mr Baker not to hurry the West German Government into an early decision on the modernisation of short-range nuclear weapons.

The modernisation issue is a sensitive one in Denmark, where there is a centre-left majority in the Folketing (parliament) against modernisation.

One of the parties which is opposed to modernisation, the Radical Liberal Party, is a member of the present coalition Government, along with the Conservative Party and the Liberal Party.

If a decision in favour of modernisation is taken at the Nato council meeting in the summer, the Danish Government may either have to enter a reservation against the decision or face parliamentary mayhem, say observers in Copenhagen.

Plans for EC minimum savings tax get rough ministerial ride

By David Buchan in Brussels

THE TWELVE finance ministers of the European Community yesterday gave a generally rough ride to the European Commission's plan for a minimum savings tax, proposed only last week as a means to stem fiscal fraud.

Mr Carlos Solchaga, Finance Minister of Spain which currently holds the EC presidency, claimed that 10 of 12 EC states had shown yesterday that they regarded as the Commission plan "as a useful starting point".

But the UK and Luxembourg are opposed in principle to a plan that needs unanimity of all 12 states, while the Netherlands yesterday expressed itself so at odds with almost every detail of the Commission plan as to put it in the same camp as the other two members.

Despite his optimistic gloss on yesterday's events, Mr Solchaga forecast that the Commission's proposals, aimed to curb tax evasion when most foreign exchange controls disappear in mid-1990, would have to go to the Madrid summit of EC leaders in late June for resolution.

Government heads would not normally bother themselves with the details of such plans. But Mr Solchaga said he was determined "to stick to the deadline" of June 30 this year for the Council to consider what fiscal steps should accompany capital liberalisation.

Putting direct savings taxes on a such a fast track will inevitably sideline consideration of the equally fraught plan to harmonise the indirect value added and excise taxes. Several ministers yesterday expressed concern about such a change of focus.

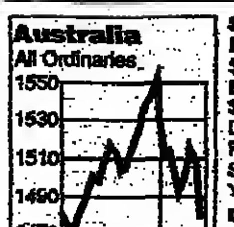
Spearheading yesterday's attack on the Commission's two-track plan for a 15 per cent withholding tax on domestically issued bonds and bank deposit interest and for increased co-operation between tax authorities of the Twelve was Mr Jacques Poos of Luxembourg, who said: "my country is not ready to play policeman and tax collector for its partners."

As on VAT and excise, the UK and Luxembourg are united in their opposition, with the difference that Luxembourg is ready, on the savings tax issue, to take the rhetorical lead that it has generally left to the UK on indirect tax issues. Mr Peter Lilley, economics secretary to the UK Treasury, said the Scrivener tax would simply drive money out of the Community.

Predictably, the Commission plan drew support from the country – France – that inspired it in the first place as a way of easing Paris' fears about making Frenchmen free to open foreign bank accounts next year. But virtually every other country raised objections yesterday.

MARKETS

Australia
All Ordinaries



INTEREST RATES
US lunchtime
Federal Funds 9 5/16% (9 7/16)
3-mth Treasury Bills: yield: 8.82% (8.58)
Long Bond: 98 3/16 (98 3/8)
yield: 9.05% (9.027)
London
3-month interbank: close 12 11/16% (13)

STERLING
New York lunchtime
$1.7505 (1.7485)
London:
$1.7485 (1.754)
DM3.2700 (3.265)
FFr11.1250 (11.1125)
SFr2.7775 (2.775)
Y224.50 (225.25)

DOLLAR
New York lunchtime
DM1.8695 (1.87125)
FFr6.3585 (6.3815)
SFr1.59025 (1.59075)
Y128.375 (128.7)
London:
DM1.8700 (1.8615)
FFr6.3625 (6.335)
SFr1.5890 (1.582)
Y128.40 (128.35)

GOLD
New York latest
Comex April
$389.4 (390.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,286.25 (+0.18)
S&P Comp
292.55 (-0.53)
London:
FT-SE 100
2,032.7 (-23.4)
World:
145.15 (Fri)
Tokyo
Nikkei Ave
31,985.32 (-146.67)
Frankfort
Commerzbank
1,680.2 (-13.5)

OIL
Brent 15-day (Argus)
$15.85 (+0.10) (Mar)
West Tex Crude
$17.365 (+0.19) (Mar)

CONTENTS

True to its tradition, Italian politics is in turmoil

Mr Ciriaco De Mita, the Italian Prime Minister, who swept to power last April as leader of the Christian Democrats, is in deep trouble and his chances of remaining as party leader after the coming weekend's conference are low
Page 19

EUROPEAN NEWS

Government tries to hold down pay as stoppages accelerate

Wage pressures build up in Poland

By Christopher Bobinski in Warsaw

THE POLISH authorities are coming under sustained pressure from workers to put up wages, Mr Ireneusz Sekula, the Government's top official responsible for the economy, told Solidarity representatives at the latest session of round-table talks here yesterday.

This month there had already been 53 wage conflicts in industry, following more than 150 in January which had produced 39 strikes or near-stoppages.

As he spoke, management at the Laziska steel works in the southern industrial region of Silesia conceded a 100 per cent increase in basic pay to 1,700 employees at the plant who ended their stoppage at midday. The strike had started on Friday with the workers demanding a 150 per cent increase in their average hourly wage rate, while management had offered no more than a 50 per cent rise.

The Government, which has said that inflation this year will reach 55 per cent, is struggling to keep wage rises within a 40 per cent ceiling for the year.

Yesterday, bus drivers in Piotrkow Trybunalski who have also been on strike since the end of last week continued their stoppage despite a general appeal by Mr Lech Walesa, the head of Solidarity, for six strike-free weeks during the round-table discussions on economic and political reforms and the conditions for Solidarity's return to public life.

Mr Alfred Miodowicz, head of the OPZZ official union, echoed the call, adding that a strike-free period should last two years.

Meanwhile, at the round-table economic session yesterday the authorities pressed Solidarity to support government efforts to lift meat rationing which would involve another round of price and wage rises but would lead to the end of the monopoly in the food procurement system. More than 70 per cent of Poland's farms are in private hands.

● Poland has set up an official committee to commemorate the country's victims of Stalinism who suffered as deportees in the Soviet Union from 1939 onwards, as well as at home after the war.

The committee is in the main composed of official figures, many of whom nevertheless suffered at the hands of the security police in the 1950s. But it includes the well-known film director Andrzej Wajda, a Solidarity supporter, and Mr Ryszard Reiff, the head of a newly-registered association of deportees to Siberia who himself escaped from a Soviet camp in 1946.

Convertible zloty in 3-5 years is target

By Peter Montagnon, World Trade Editor

POLAND HOPES to be able to make the zloty fully convertible into Western currencies within the next three to five years, Mr Dominik Jastrzebski, the country's Minister for Foreign Economic Relations, said in London yesterday.

This ambitious target underlines the rapid pace of economic reform introduced by Mr Mieczyslaw Rakowski, appointed Prime Minister last October. Previously, even reform-minded officials have said that the large black market, where currency trades at a premium of up to 700 per cent on official rates, was an obstacle to convertibility.

Outlining Poland's economic strategy in an interview yesterday, Mr Jastrzebski, a businessman catapulted into government from a position in charge of a furniture factory, cut an unlikely image for an East bloc trade minister.

One of the main points about the reform, he said, was that it aimed at simplifying regulations and state control over production as well as promoting private enterprise. "If somebody has a good brain and a good nose for a private business, in a very short time he can become really rich," he said.

The Rakowski administration had eliminated 5,000 economic regulations since it took office, and staffing at the Trade and Industry ministries had been reduced by 450 to a combined total of 700 people, a performance which he challenged Britain's own Department of Trade and Industry to match.

Mr Jastrzebski said reform of the foreign exchange market, involving rapid elimination of central allocation of currency, was a key plank in economic reforms as it would make business more efficient, more export-oriented and less dependent on underpriced imports.

Under new regulations due to be presented to Parliament this week, large scale auctions of foreign exchange would start on April 1 which would absorb more than $3bn (£1.7bn), or more than half Poland's export earnings this year. Taken together with the $2bn in foreign exchange earnings which Polish enterprises were allowed to retain for their own account, this left only $2bn to be centrally allocated in 1989.

In a further step, Poland would shortly start permitting private companies, co-operatives and state enterprises to establish retail foreign exchange businesses, thus effectively legalising the long-tolerated black market in currency.

The retail market would be hermetically sealed from the wholesale business market in foreign exchange, which would be supplied by the auction system. But the psychological effect of the auctions would lead naturally to a reduction in the black market premium. This would help pave the way for eventual convertibility of the currency, he said.

Mr Jastrzebski said the rate established by the auctions should not go much higher than the Zl 1,100 established in earlier pilot operations. This compares with an official rate currently around Zl 500 per dollar and a rate of some Zl 3,200 on the black market.

He acknowledged that economic deregulation could both exacerbate inflationary pressures and lead to job losses. However, "one expectation is that the liberalisation of the private sector will result in an explosion of activity. That can absorb almost unlimited unemployment."

Policies to deal with inflation would necessitate some sacrifices on the part of trade unions, he said. This required a consensus on which the Government would have to work further. But, given the new emphasis promoting private sector activity to raise production levels within the economy, the eventual reward would be improved supplies in the shops and greater freedom of choice for Polish consumers.

Mortgage lenders' plea on capital adequacy

By David Barchard

THE EUROPEAN Mortgage Federation (EMF) has warned the European Community's Council of Ministers against adopting the recommendations of the Basle Committee on capital adequacy for mortgage lenders within the EC.

The warning is contained in a memorandum on proposals for a Community directive on solvency ratios for credit institutions, sent to the Council last week. The memorandum was strongly backed by mortgage lenders in France, Italy, and Spain.

It calls on the Council to move swiftly to lay down the framework for a common European banking law and capital adequacy guidelines.

However, the EMF says the Basle proposals were designed with large international banks, rather than specialist mortgage lenders in member states, in mind. Mortgage lenders from countries such as Spain, Denmark, Portugal, Ireland, and Greece, which are not in the Group of Ten which drew up the Basle proposals, should have their views on capital adequacy criteria taken into account, it adds.

Under the Basle proposals, mortgage loans on residential property have a 50 per cent weighting for capital adequacy purposes, in recognition of the fact that mortgage lending is a relatively low-risk enterprise.

The EMF says the 50 per cent weighting should not be confined solely to owner-occupied homes. "This limitation takes insufficient account of the realities of the mortgage market and is difficult to apply in practice," it says.

It argues that, instead, the 50 per cent weighting should be extended to loans for the rented property market and to mortgage loans for business purposes.

"Unless the weighting is extended beyond the proposals, interest rates on mortgage lending will rise in several Community countries, including France and Germany," says Mr Leo Mullende, the EMF's secretary-general.

The EMF fears that the proposals could give a "major competitive advantage" to mortgage lenders outside banking, such as the UK mortgage companies, which are not subject to banking supervision or governed by European banking law. It warns that some EC governments hold conflicting views of what constitutes a credit institution.

This appears to be aimed at Britain. Continental mortgage lenders view the appearance of mortgage lending companies in the UK with disapproval, arguing that their activities are those of banks.

Defence cuts cost jobs in Hungary

By Leslie Colitt in East Berlin

THE FIRST signs that recently announced cuts in East European defence spending will lead to job losses has come from Hungary, where the country's largest electronics concern is preparing to discharge 1,000 workers and other companies could shed as many as 6,000 jobs.

The Videoton electronics company, located near Budapest, said it would be forced to sack 8 per cent of its workforce of 14,000 in the next few months because there would be fewer military orders from the state.

Hungary announced recently that the "real value" of defence spending would be cut by Forints 5.9bn ($62m), or more than 20 per cent this year.

As a result some 20-25 companies are expected to receive fewer orders and General György Dörö, who is responsible in the National Planning Office for military spending, said 5,000-6,000 jobs could be lost. Some companies faced a "critical situation."

Mr Ferenc Horvath, Undersecretary of State in the Trade Ministry, has pointed out that nearly 80 per cent of Hungary's arms production is exported. Weapons are traded for weapons, mainly with the Soviet Union.

The sacked defence workers will receive unemployment benefits, under Eastern Europe's first such scheme, introduced last month, if they have worked for 18 months in the past three years.

Hungary's unemployment last year stood at 30,000 and is widely expected to rise to 100,000 this year as a result of reduced state subsidies and restructuring. Several thousand jobs are to be axed in the loss-making coal-mining and steel industries.

MR KAROLY GROSZ, Hungary's Communist Party leader, has warned that his party will share power only within strict limits and that the move towards a multi-party system will be a long process, Reuter reports from Budapest. He was speaking to a closed session of the central committee on Friday.

His speech, printed by the party daily newspaper, Nepszabadsag, yesterday, included attacks on the media, other political groups and politburo colleagues. It contrasted with a television interview on Saturday in which he said Hungary could progress no further with a single-party system.

Agricultural fraud rises higher on Community agenda

By Tim Dickson in Brussels

THE HIGHLY charged issue of how to tackle European Community farm fraud looks like being given a higher political priority this year after Mr Carlos Romero, Spain's Agriculture Minister, promised to raise the matter formally during Spain's six-month spell in the EC chair.

Mr Romero was speaking after Mr John MacGregor, Britain's Agriculture Minister, had called on colleagues to identify new ways of dealing with the fraud threat and to set themselves "some firm objectives" for finding solutions.

The Spanish minister said he would be drawing up a report on the problem to present to the EC's economics and finance ministers next month and that the issue would be discussed either formally in one of the Farm Council's regular monthly sessions, or in their next "informal" meeting planned for May. Mr Romero himself expressed concern about controls in the wine sector.

The scandal and possible scale of agricultural fraud in the EC was highlighted last year by two well-documented reports from the EC's Court of Auditors, the Community's financial watchdog. One described the money being wasted in storing surplus foodstuffs, the other focused on possibly widespread abuses in the system of export subsidies for EC beef.

"In the nature of fraud there are no firm figures," Mr MacGregor said yesterday in a clear sideswipe at some of the more ludicrous "guesstimates" emanating from a recent European Parliament inquiry. "It is clear, however, that the problem is very large indeed."

Mr MacGregor called for "clear rules and uniform standards so that member states all understand what is required and apply the rules consistently." He was particularly enthusiastic about the Court's ideas for changing the system of controls on export refunds (or subsidies), on the need for a proper risk analysis to ensure some concentration of problem areas and for Community rules on taking samples.

Moreover, he said, "what we must always have in mind in examining any new proposals or schemes is whether they are susceptible to fraud and, if they are, we should not accept them until the risk of fraud has been thoroughly dealt with."

EC experts to discuss ban on sewage discharge in sea

By Ian Hamilton Fazey, Northern Correspondent

EUROPEAN COMMUNITY experts will meet in Brussels next week to discuss the possible banning of the discharge of raw sewage into the sea. The practice is common around the UK's coastline and in the Mediterranean basin, but there is strong pressure from environmentalists to make it illegal.

The EC's directorate on the environment, consumer protection and nuclear safety hopes to reach a broad enough consensus to enable a formal proposal for new regulations to be drafted and submitted to the Council of Ministers in June or July. Formal ratification by EC governments could then take some time.

The possible plans were revealed to British local authority leaders who last week asked for EC help to stop the North West Water Authority building a new raw sewage outfall at Fleetwood, the fishing port on the northern tip of Lancashire's Fylde peninsula. They believe this may further pollute nearby Blackpool's sandy beach, which the EC has already designated as "needing action".

Mrs Louise Ellman, Labour leader of Lancashire County Council, who headed an all-party delegation to Brussels on the issue, said yesterday: "We have been asked to register a formal complaint with supporting details. In the meantime, the prospect of new laws changes things.

"We are calling for all planned new sewage outfalls to be withdrawn until the long-term legal position becomes clear. The Government must certainly stop any attempts to hurry through new outfalls ahead of new European anti-pollution laws."

Mr Alexander Barisich, head of the EC directorate concerned, said yesterday: "The position is that most European nations treat their sewage. However, we cannot take a position on the issue at this stage and will be going into the meeting with an open mind because there may well be divergent views."

The Lancashire delegation was supported by Cumbria County Council, which is fighting similar proposals by the North West Water Authority for a new outfall into Morecambe Bay at Ulverston.

Baltic bar comes down on consumer 'exports'

By Quentin Peel in Tallinn

TIT-FOR-TAT restrictions on cross-border shopping between the East European member states of Comecon have spread to the individual republics of the Soviet Union, in new evidence of the disintegration of any unified retail market in the country.

The Baltic republics of Estonia and Latvia have introduced a ban on sending a whole range of products, including household goods like televisions, refrigerators and washing-machines, to other parts of the USSR. They have also banned the sale of such goods to non-residents.

Their restrictions mirror those introduced in recent months by states like Czechoslovakia, East Germany, Poland, Bulgaria and the Soviet Union itself, banning the export of key consumer goods by individual visitors and tourists.

Such cross-border shopping to exploit local shortages and surpluses in the centrally-planned economies has aroused much popular resentment among long-suffering consumers.

Not only the Baltic republics themselves, but individual towns like Tartu and Tallinn in Estonia are refusing to allow non-residents to buy key products in short supply, such as batteries and light bulbs.

Shoppers in the two neighbouring republics, which pride themselves on being better-supplied with consumer goods than the neighbouring Russian Federation, are now required to present their internal Soviet passports when buying products in short supply, to prove that they work or live in the particular area.

Notices quoting the decision by the republic's Council of Ministers, or the local soviet, and listing the restricted products have been posted beside the cash tills in shops and post offices.

The decisions, in force since mid-January but barely reported outside the republics, are partly a response to what is seen as a drain of locally-produced goods into the national economy.

Mr Indrek Toome, the Prime Minister of Estonia, recently criticised local co-operatives for buying up goods at controlled local prices for resale outside the republic at a large profit.

He also attacked Estonian farmers "who fatten their cattle with concentrated feeds obtained from our republican quota but sell the meat elsewhere."

The physical restrictions in the republic could well be a precursor to a more fundamental change, as part of Estonia's plans for republican economic self-management, introducing a form of local credit card for residents and workers.

"We do not have enough goods," said Mr Olev Lugus, the director of the Estonian Institute of Economics. "The idea is that the credit card will be given to any person living in Estonia. Then a special system of shops will be set up where you can buy goods only with these credit cards."

So far the Estonian and Latvian moves have attracted no comment or response from Moscow in spite of the danger of such restrictions spreading to many other republics within the Soviet Union.

EC jobless rate drops to 10%

By David Buchan in Brussels

THE EC unemployment rate dropped by the end of last year to 10 per cent, the lowest point since mid-1983, the European Commission said yesterday.

Since Italy, the rate has fallen steadily from 10.4 per cent. Mr Henning Christophersen, the Commissioner responsible for macro-economic affairs, hailed in particular the drop in youth unemployment over the past four years from 24 to 20 per cent.

According to the EC's seasonally adjusted figures, the UK ended last year with 7.6 per cent unemployment, near the lower end of the Community span, which ranges from 2.2 per cent in Luxembourg to 19.8 per cent in Spain.

Danish current account deficit declines again

By Hilary Barnes in Copenhagen

DENMARK'S current account deficit fell to DKr12.1bn (£957m) last year, considerably lower than the Government's forecast, and compares with deficits of DKr20.7bn in 1987 and DKr36.3bn the year before.

The net foreign debt, however, increased by rather more than the current account deficit, rising from DKr276bn to DKr296bn, according to the Bureau of Statistics. At DKr58,000 (£4,588) per capita, this is among the highest in the world and amounts to about 40 per cent of gross domestic product.

The reduced current account deficit reflected a substantial improvement in the merchandise trade account, which has swung from a deficit of DKr5.5bn in 1986 to a DKr13.8bn surplus last year. Exports increased last year by 8 per cent to DKr189.5bn and imports by 3.4 per cent to DKr175.2bn.

In the fourth quarter, exports were up by 10 per cent to DKr51.8bn, while imports increased by only 0.6 per cent to DKr48.2bn.

The current account improvement has taken place against a background of almost complete growth stagnation and rising unemployment, which now averages about 8 per cent on a seasonally adjusted basis.

Portuguese count cost of three-year spending spree

Soaring inflation and stagnant wages are forcing a marked change in attitudes, writes **Diana Smith**

PORTUGAL'S riotous spending spree is tapering off. The expansionist policies of the first two years of EC membership have been reined in to more cautious growth.

Dismayed by soaring inflation and stagnant wages after three years' gains, hit by a tax reform that now exacts pay-as-you-earn tax (on top of last year's unpaid taxes), consumers are counting their centavos.

It is an about-turn – in 1988, for example, Portugal put a record 500 new cars a day on the road. "Now they buy 450 cars a day," says Prof Alfredo de Sousa, one of Portugal's most respected and outspoken economists. "People scrimp on meals, clothes, even housing – to have a car, that be-all-end-all."

Along with electricity, water, gas, bread, milk and fares, even taxis now cost more – a belt-tightening New Year present of officially-set price rises from the Anibal Cavaco Silva Government.

The increases, on top of annual inflation of 11.4 per cent in December – over twice EC averages – have sparked tension between unions and Government. Threats of a spring general strike rumble like distant thunder.

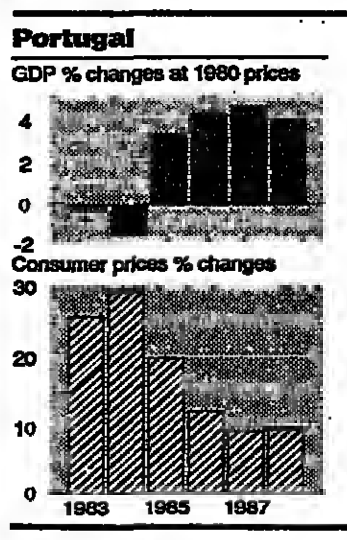
The authorities promised 5.5 per cent inflation for 1988 – and reneged on a 1988 pact calling for wage adjustment if inflation exceeded forecasts. Wages rose 8 per cent, well below real inflation.

The Government says people fret too much about inflation and point to the pluses of 1988 – growth, investment and a small current account surplus. In spite of a soaring trade deficit (in excess of $4bn) caused by the influx of EC goods, the current account surplus has been helped by tourism ($2bn), emigrant remittances ($2bn) and EC structural funds ($1bn).

But Prof de Sousa maintains that inflation cannot be waved aside. It may slow, he thinks, to 10.5 per cent by late March and 9-9.5 per cent by summer. Consumption is cooling. Estimated 3.8 per cent private consumption growth and 3.5 per cent GDP growth in 1989 are less inflationary than the 1988 gap between 6 per cent consumption growth and 4 per cent GDP growth.

If Portugal does not slash inflation, says Prof de Sousa, it may jeopardise its integration into the European Monetary System and the liberalisation of credit that must precede this.

It is not easy. The country must invest, to diversify and modernise industry, increase capacity and build up long-neglected infrastructures. Soaring investment growth – 19 per cent in 1987, 15 per cent in 1988, a forecast 8.5 per cent in 1989 – is inflationary.



To finance badly-needed road, bridge, port, airport, railway, telecommunication, sanitation, electricity, gas and water works, Portugal taps EC funds, expanding buying power (and inflation) as they filter through the economy. It must also find matching funds from its own budget, expanding state outlays (and inflation).

The state, says Prof de Sousa, is the root of the problem: public sector financing needs (10 per cent of GDP in 1988) sap resources and shrink the slice of cake available to the private sector.

SWEEPING PLANS to privatise state-owned companies have been announced by Mr Anibal Cavaco Silva, the Prime Minister, AP reports from Lisbon.

It said that Mr Cavaco Silva told his Social Democratic Party's national council that companies in the telecommunications, transport, chemical, shipbuilding and financial sectors would be opened to private capital next year and the year after.

He said "courageous, even cruel" measures were needed to meet the challenge posed by EC plans to abolish all economic barriers by 1992 – even at the risk of a decline of his Government's popularity.

Helpful external deflationary factors in 1985-87 - cheaper oil, commodities and a weak dollar – are evaporating, says Prof de Sousa. Instead of using them to pare back state spending, Mr Cavaco Silva and Mr Miguel Cadilhe, his Finance Minister, focused on trying to cool inflationary expectations by insisting repeatedly that by 1989 Portugal's inflation would sink to 4 per cent.

A clever but limited move, saya Prof de Sousa, which worked only briefly. The administration is now paying for obstinate failure to make more use of its opportunities.

"They should have negotiated real privatisation with the Socialist opposition in 1987, but they were too conceited: they had to go it alone and invent 49 per cent semi-privatisation, of limited interest to buyers. There must be sweeping, real privatisation, fast, of nationalised industries and financial institutions to raise funds that offset the public debt (61 per cent of GDP), cut public sector financing needs and put management in private hands."

The state is expected to sell several of the banks nationalised in the 1975 revolution, in time for the impact of 1992 – or 1993 if Portugal exercises its option to delay the effects of full single market financial freedoms.

"1992 will wipe out some institutions," Prof de Sousa predicts, "by mergers or purchases. Some will go under. There are too many financial institutions for this small market – some hanging on, protected by political cronyism rife in this country – but the crunch will come."

But until then, Prof de Sousa believes, the state will continue to feed its needs on terms from its tied banks. Their boards are encouraged to absorb state paper that private sector banks can ignore.

As long as the state has inflated financing needs and tame banks there will not, in Prof de Sousa's view, be much relief for the private sector from rigid credit ceilings and high interest, now 18.5 per cent.

Big companies now raise funds abroad, but credit-hungry smaller ones are bruised by years of promises that credit ceilings will end soon.

Of late, the administration has shown signs of trying to woo the trade unions with higher wage rises than in 1988. In this election year, facing the threat of sustained industrial action, the Government recently abandoned any attempt to impose wage ceilings and instead recommended rises of between 8 and 9.5 per cent. Portuguese voters will have their first chance since Mr Cavaco Silva's landslide victory in July 1987 to register their opinion of the self-assured administration in polling for local government and for the European parliament.

"This year's inflation," says Prof de Sousa, depends heavily on how much the Government concedes as an election strategy, in wages, pensions and other benefits."

Meanwhile, dwindling numbers of TV commercials (about a third of the spots in 1988), smaller crowds in restaurants and cinemas and less conspicuous consumption, hint that the Social Democrats may have to work harder in 1989 for their majority than in the rosy economic climate of 1987.

OECD praises Italy but worries about strong domestic demand

By John Wyles in Rome

MORE PRIVATISATION and industrial competition, a thorough rationalisation of government expenditures and a determined epplication of current plans to deal with the public debt problem, are among the recipes for more balanced and sustainable economic growth in Italy prescribed today by the Organisation for Economic Co-operatioo and Development.

In an unusually long 132-page report, the OECD is impressed by Italian economic performance during the 1980s – more than 3 per cent annual growth since 1983 – bnt clearly anxious about ths strength of current demand in the economy and the management problems created by the Government's debt burden.

The report stresses Italy's vulnerability to a change in investment choices among its domestic savers, who finance 96 per cent of public debt. The Government's ability to compete for savings by raising interest rates is becoming constrained by both the cost and the economic impact.

The OECD says that a 1 point rise in Italian interest rates passes L7,000bn (£2.95bn) in extra interest payments into the private sector. "This means that interest rate rises are much less effective in reducing demand than before."

Moreover, the impact of highsr interest rates conld compromise medium-term growth prospects by strengthening the exchange rate, with balance of payments consequences, and by depressing real investment.

The OECD expects the growtb rate to fall slightly from 3.9 per cent in 1988 to around 3.5 per cent this year, bnt it warns that domestic demand could grow more strongly than projected. If so, there is a danger of wage inflation, since the unemployment rate in the north of the country "is already very low."

It says there has been a loss of export competitiveness since 1986 due to higher wage inflation in Italy than in its trading partners, and this could have a higher impact on trade than the OECD has forecast.

The favourable opportunity provided by external factors to reduce the budget deficit "was not used as fully as would have been desirable," says the report.

While the average ratio of govsrnment expenditure to gross domestic product started to fall in the rest of the OECD from 1983, it has risen almost every year in Italy.

But the secretariat adds that on the assumption of gross domestic product growth above 3 per cent and the achievement of the Government's fiscal targets "the deficit could well show a cumulative decline equivalent to 1 per cent of GDP by the end of 1990."

In a chapter reviewing industrial restructuring in Italy over the past few years, the report concludes that the production system has become more efficient, and that small and medium-sized enterprises have been particularly dynamic.

But "inadequacies of the public services penalise the entire system of production and distribution," the report says. The situation would be improved by a more economics-oriented management, it says, adding that by pushing ahead rapidly with the process of privatisation and by slanting policies more towards competition – among domestic producers as well as from abroad – there could be substantial gains (lower costs and prices) for the whole economy.

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Bush seeks to rally public support for budget plans

By Peter Riddell, US Editor, in Washington

US PRESIDENT George Bush yesterday launched his nationwide campaign for public support from the American people for his budget as talks began between senior Administration officials and congressional leaders.

Mr Bush started in New Hampshire, where he enjoyed a key victory a year ago in his campaign for the Republican presidential nomination. He will speak later this week in South Carolina and Missouri.

Mr Bush said his spending and tax proposals put forward last Thursday represented "a realistic plan, a commitment to meet our national priorities, and at the same time, keep faith with our promise to American people on the tax front of no-new taxes.

"There are some areas in which we would all like to spend more, but we cannot until we get our fiscal house in order and bring the federal budget deficit down."

He stressed the $80bn (£46bn) plus, or nearly 8.5 per cent, increase in revenues expected in the next fiscal year under current law.

"That should be enough to finance our priorities and bring the deficit down without taxes. The federal budget will not be balanced overnight, but our plan is a realistic one," he said.

George Bush in New Hampshire yesterday

The plan would not work with "business as usual. It'll require a partnership with the Congress," the president continued.

Nevertheless, there remains a large gap between the Administration and the leaders of the Democrat-controlled Congress.

Mr Richard Darman, the Budget Director, was yesterday meeting Mr Tom Foley, the House majority leader, and Senator Jim Sasser and Mr Leon Panetta, the chairmen of the Senate and House Budget committees.

Both sides have accepted that it may be necessary to discuss tax increases, but neither side wants to be the first to bring taxes into the bargaining.

In this elaborate, and possibly drawn-out exercise, the difference is that the Administration, does not believe that tax increases are necessary while the Democrats do. Mr Darman has said that opening the door to tax increases will relax the spending discipline.

On spending, the main point at issue is the $136bn "black box" of domestic programmes to be frozen in cash terms.

The budget proposals listed options, notably in transport subsidies, to finance increases elsewhere but the Administration refuses to specify precise figures. Mr Darman argues that when the Administration has specified cuts Congress has been critical from the start, delaying serious talks.

Congressional leaders argue that by refusing to be specific the Administration is trying to shift responsibility for unpopular decisions on to them.

Sarney plan for assets sale headed for defeat

By Ivo Dawnay in Rio de Janeiro

THE Brazilian Congress looks certain this week to throw out a government decree that would open the path to wide-ranging privatisation of public sector companies.

Discussions between political parties found a clear majority unwilling to give the Administration of President José Sarney a blank cheque to sell off state assets.

Under the provisional measure, tabled as part of the anti-inflationary economic package last month, all state companies could be sold, with some specific exceptions such as the electricity utility, Electrobras, and Petrobras, the oil company.

But parties from left to right say that conventional enabling legislation should be used to allow more detailed discussion of the move by Congress.

The decision comes as yet another blow, however, to the credibility of the Government's so-called Summer Plan.

So far Congress has approved only the main measure which froze prices, ended some inflation-indexing and created the New Cruzado currency.

Brazil prison horror in spotlight

John Barham looks at a human rights outcry over a São Paulo jail

HUMAN rights organisations have blamed Brazilian prison authorities for the death 10 days ago of 18 prisoners suffocated in a São Paulo police station's punishment cell.

The official investigation is still continuing but six São Paulo human rights groups say in a report issued last week that there is clear evidence of police responsibility.

The men died after being herded into a tiny, windowless, unventilated cell as punishment for trying to escape in the early hours of carnival Sunday.

Policemen crammed 51 men into the cell. When the doors were opened, perhaps three hours later, 12 had already died and six had lapsed into comas, never to recover.

All but one of the 33 survivors had collapsed. The prisoners said that before being locked into the cell they were stripped nakad and beaten severely by the police.

The investigators from trade unions, church and private human rights groups alleged that the duty officer that morning supervised the punishment and did not intervene once men began dying.

According to prisoners interviewed by human rights lawyers, officers shouted back: "It is good you are dying, because that way the jail will become less crowded."

Another officer allegedly added: "And whoever survives will get beaten." The prisoners claim that police tossed a firecracker into the cell, burning up precious oxygen.

Brazil's military police came under fire for their handling of a steel strike in which three people died. Human rights groups now allege police brutality in a police jail

The horror spotlights the deplorable conditions in Brazil's prisons. Jails are filled to double their capacity so that many prisoners are serving their sentences in police cells. The crime rate has risen by 44 per cent since 1980.

Overcrowding has lead to atrocious sanitary conditions. Human rights officials said the prison system, far from reforming convicts, only deepens criminality, violence and hatred for authority.

The human rights organisations have called on the São Paulo state government to remove prisoners from police cells, to forbid the use of punishment cells and other police stations and to initiate a rigorous investigation of police responsibility.

They want the police officer who ordered the punishment to be arrested immediately. The state has suspended the officer but says his responsibility is not yet clear.

The state has begun major investment to expand prison capacity.

The São Paulo incident brings to 112 the estimated violent deaths in the state's prison system since 1982. In 1986, 13 prisoners were beaten to death during an uprising and in 1987 29 were shot, some at point-blank range during a prison riot.

The São Paulo Justice Department investigated those rebellions but found no basis for pressing charges of brutality against the police.

Some observers fear that violence is now endemic in Brazil's prisons. They cite as an example an incident in which convicts in a state prison recently seized a prison warder and rammed him, still alive, into a furnace.

Police have also been accused of routinely murdering suspects. Last year, Americas Watch, a New York human rights group, said São Paulo police shot dead 316 suspects.

The conditions in Brazil's prisons, widespread police violence and torture have attracted the unwanted attention of foreign human rights groups such as Amnesty International and Americas Watch.

The government of President José Sarney is already on the defensive over its environmental and land reform policies. Now it has one more problem with which to deal.

Hearing today on North case documents proposal

By Lionel Barber in Washington

THE JUDGE in the Iran Contra arms trial yesterday excused the jury and set a public hearing for today to consider a proposed Government compromise on the use of classified documents that Mr Oliver North, the former White House aide, can use in his defence.

Judge Gerhard Gesell, presiding, said he would hear arguments on the agreement reached over the weekend between the Justice Department and the special prosecutor, Mr Lawrence Walsh. If Judge Gesell accepts the deal, the Administration is expected to drop an appeal to the US Supreme Court for tighter control on classified documents, which would clear the way for the trial to resume.

Judge Gesell has displayed considerable irritation over attempts by the US Justice Department led by Mr Richard Thornburgh, Attorney General, to control the use of classified documents. He has argued that such efforts are either frivolous or they could jeopardise Mr North's rights to a fair trial. It is by no means certain that Judge Gesell will accept the latest proposal.

Yesterday's delay in the opening of the trial of Mr North was the latest twist in a bitter legal dispute over the defendant's likely use of secrets in his defence. The dispute has already caused Mr Walsh to drop the most serious charges against the former White House aide who is the first defendant to go on trial on charges arising from the 1985-86 secret sale of arms to Iran and the diversion of $14m in profits to the Nicaraguan Contra rebels.

Mr Walsh, who was appointed as independent prosecutor during President Ronald Reagan's administration because of the White House involvement in the case, has been in conflict with the Justice Department since last week. That was when the department began seeking an order that would impose tight restrictions on classified material that North wanted to present at trial.

Mr North still faces 12 criminal charges, including shredding secret White House documents to cover up the scandal, lying to Congress and participating in a tax fraud scheme whereby wealthy donors gave money to the Contras and received tax benefits.

Mr North could argue for dismissal of the case against him if he is not allowed to present whatever evidence he wishes, on grounds that such prohibitions would infringe on his constitutional rights to a fair trial.

If Judge Gesell rejects the compromise, the full US Supreme Court will have to consider the matter of classified information, and any ruling would have considerable influence over the future standing of special prosecutors who work for the Justice Department but are appointed by a Federal Court.

Mr North is one of four men charged in the Iran-Contra case. Others are his former boss at the National Security Council, John Poindexter, and arms dealers Albert Hakim and Richard V. Secord. Their trials are being held separately.

Official cautious over Third World debt crisis

HOPES FOR a dramatic new solution to the $1.3 trillion (million million) Third World debt crisis might be running too high, the head of the International Monetary Fund and World Bank's development panel said yesterday, Reuter reports from London.

Mr Yves Fortin, the executive secretary of the joint development committee, said some progress had been made in tackling the debt problems of poor African nations. However, he cautioned that it would be wrong to expect a radical new strategy.

"Perhaps expectations are building up too fast," Mr Fortin told reporters at a briefing in London on the committee's next meeting due to be held in Washington at the start of April.

The debt crisis has returned to centre stage following a year of economic gloom in Latin America and as President George Bush conducts a review of Washington's strategy.

The Group of Seven industrial nations – the US, Britain, Canada, France, Italy, Japan and West Germany – also launched a new push to tackle the problem when they met in Washington for two days at the start of February.

Mr Fortin said the current strategy for countries to grow out of their debt, based on a 1985 plan by the then US Treasury Secretary Mr James Baker, had achieved mixed results.

Schemes to cut the debt burden were useful but they were insufficient without new lending.

The US Administration is due to release to Congress the results of a review of its debt strategy next week, while officials from major industrial countries have been examining the role of the International Monetary Fund and World Bank.

That second review has taken on added importance following well-publicised differences between the World Bank and the IMF on the way in which they each see their role in managing the debt crisis.

European monetary sources said the Group of Seven nations wanted to set out guidelines for a new strategy at the IMF's spring meeting at the end of March, but it was unclear now if the review by their deputies would be ready by then.

But political pressure is building for discussion by leaders of the seven nations at their summit set for Paris in July.

The development committee will carry out in April a first review of debt relief policies to sub-Saharan Africa after a package of measures agreed by industrial nations in September.

Mr Fortin said that agreements worked out in the "Paris Club," a forum for renegotiating government-backed debt, had brought only modest relief.

Accords with the Central African Republic, Madagascar, Mali, Niger and Tanzania had led to savings in debt repayments of $10m a year. However, that was just 2 per cent of the total due by those countries in 1987.

Takeshita under pressure to reform after poll defeat

By Ian Rodger in Tokyo

THE PRESSURE on the Government of Mr Noboru Takeshita to reduce the high level of financial corruption in Japanese politics grew yesterday after a humiliating defeat for the ruling Liberal Democratic Party (LDP) in a by-election in Fukuoka on Japan's southern island of Kyushu.

Political analysts in Tokyo said there was no immediate threat to the Takeshita Administration as a result of this latest reverse, not least because of the absence of a credible alternative. But its legislative programme, including the Government's budget for the coming fiscal year, would probably face substantial delays as the opposition parties sought to exploit public disgust over the Recruit political funding scandal.

The Recruit affair, which has exposed the large amounts of money used by politicians and some of the devious ways they raise it, was a key issue in the campaign.

The Fukuoka seat had been considered an LDP stronghold. In the last general election in 1986, the LDP candidate won twice as many votes as the second-placed Japan Socialist Party (JSP) candidate.

This time, however, the JSP candidate took 751,036 votes to only 564,301 for the LDP candidate, despite a big effort by LDP leaders in support of their man.

Mr Takeshita himself admitted his shock at the defeat and acknowledged that the Recruit issue had been a big factor. However, opposition parties had also battered the LDP with other sources of discontent in this rural area, including the impending introduction of a 3 per cent value added tax and the opening of Japan's beef and citrus markets to imports.

Takeshita: admitted shock at the by-election defeat

Ms Takako Doi, leader of the JSP, promptly called for the resignation of the Cabinet and the dissolution of the Diet (parliament), but in the view of some analysts, the by-election result revealed more about the public's displeasure with the LDP than its faith in the Socialist Party.

Voter turn-out dropped from 75 per cent in the general election to 48 per cent and the JSP gains were undoubtedly helped by the absence of the Komeito, another opposition party, which ran nearly level pegging with the JSP in the general election. Ms Doi admitted as much herself, saying in the Diet yesterday that the result was "more a rejection of the LDP than a victory for the JSP".

It is difficult to predict the effect of this latest LDP reverse on Mr Takeshita's future or on this year's political calendar. The Cabinet's popularity rating had already dropped below 20 per cent before the Fukuoka byelection, which normally would be enough to set off rumblings in the LDP. But there is as yet no sign of revolt, perhaps because so many other LDP leaders have been tainted by Recruit as well.

By law, there must be elections in June for half the seats in the Upper House of the Diet, and it is generally expected that the LDP will suffer significant losses because of tax reform and Recruit. Some analysts were suggesting yesterday that pressure was building on Mr Takeshita to hold a general election at the same time, but others said the LDP would shy away from such an idea for fear that it would merely worsen the damage.

Mr Takeshita said the result made him more determined than ever to pursue political and electoral reforms that would alleviate the potential for financial corruption. He will face considerable opposition from many in the LDP who like things the way they are, but the movement for reform is gathering pace.

Yesterday, Mr Michio Watanabe, a senior LDP leader and potential future prime minister, joined the growing number of people calling for basic electoral reform.

He said in the Diet that the most effective way to put an end to money politics would be to introduce single seat constituencies.

He said in a speech in the Diet that the most effective way to put an end to money politics would be to introduce single seat constituencies.

Japanese constituencies have from two to six seats. Politicians say this forces costs up because members of the same party fight against each other.

Mujahideen wrangle as few Soviet troops remain

By Robin Pauley, Asia Editor

ALL SOVIET troops appear to have left Afghanistan except for some in the north and a few hundred at Kabul airport. But the victorious Afghan Mujahideen are no nearer a political solution on the future government of their country.

Kabul airport, which had been closed by heavy snowfalls, reopened, enabling more Soviet soldiers, including the last of the paratroopers, to leave for Tashkent after a brief ceremony in which they said they hoped the Afghan people would remember them "only from the good side".

The UN-agreed deadline for the Soviet withdrawal is tomorrow. The remaining Soviet soldiers are at the airport and the northernmost of the 199 armed posts along the Salang Highway leading from Kabul to the Soviet border.

Mujahideen political leaders hoped their consultative council or *shura*, which collapsed in *chaos after 40 minutes on Friday*, would resume yesterday. But as hope faded during the afternoon they announced it would reconvene in the Pakistani city of Rawalpindi today, although there was no sign last night of a resolution to the dispute over representation for the minority Shia resistance groups which are based in Iran.

Tensions and tempers are rising. The senior Mujahideen commander for the Kabul area, Mr Abdul Haq, said: "We, the military commanders, did our job. We defeated the enemy. Now, the politicians should do their job and find a political solution. The problem with politicians always has been that they are out to enrich themselves and make themselves famous."

Although commanders might have to take matters into their own hands a failure to find a political agreement on Afghanistan's future could mean it would take months rather than a few weeks for Kabul to fall.

The Soviet Union and its puppet regime in Kabul, possibly preparing the Afghan public for the imminent loss to the resistance of the south eastern city of Jalalabad, accused Pakistan of sending troops in Afghan clothing across the border to take the city.

Such action, while not impossible, is regarded by Western diplomats as highly improbable, as such a move would cost Pakistan nearly all of the international goodwill built up during its support of the resistance during more than nine years of Soviet occupation.

The ill-fated UN attempts to get relief supplies to the people of Kabul continued yesterday. There has been only one flight from Pakistan in a week, the Egyptian and then Ethiopian flight crews declining to continue. Yesterday UN officials were anxiously trying to find another air carrier but last night had not succeeded. Some food gathered locally was handed out to 400 Afghan families in Kabul yesterday and more rations and blankets will be given out today and tomorrow.

The Soviet side have brought in some food supplies but food queues have lengthened and prices have risen under the impact of resistance efforts to blockade Kabul and an unusually severe winter.

Afghanistan has the world's highest child mortality rate, with 340 of every 1,000 children dying before the age of five. The war has compounded the problem, causing overcrowding in hospitals and shortages of medicine, bandages and other supplies.

Ershad seeks credibility on visit to London

By Robin Pauley, Asia Editor

PRESIDENT Hussain Mohammad Ershad of Bangladesh arrives in London today for his first official visit to Britain, which he hopes will give credibility to his Government at home and abroad.

He faces a difficult task. He came to power as a lieutenant general in a bloodless coup in March 1982 and in spite of several attempts to legitimise his Government with a civilian cloak he remains widely regarded as a leader not in the democratic mould.

Bangladesh has suffered great flood and cyclone catastrophes during the last two years. Last year alone at least 3,000 people were killed and 30m of the country's 100m people were left homeless in the floods. The country is an obvious candidate for substantial international aid.

However, some members of the US Congress, for example, have recently suggested once again that aid should be linked to progress towards democracy.

During his five-day visit to Britain, President Ershad is expected to seek financial assistance for an eight-mile bridge over the Jamuna river to link the capital, Dhaka, with the country's less-developed northern areas. The bridge, expected to be completed by 1992, will cost around $850m (£485m).

President Ershad is an embattled leader. He has been under tremendous pressure during the past 18 months from the two main opposition parties, both led by women related to former rulers.

In addition, President Ershad is wrestling with a ruined economy with more than 80 per cent of the population living at subsistence level. It was a tribute to both international aid organisations and the efficiency of the army as a distributor of food that nobody died of starvation during last year's calamities.

The economic outlook for what is already one of the world's poorest countries is bleak. GDP growth in 1987-88 was only 2.4 per cent in a predominantly agrarian economy.

Bangladesh is making some progress in making its economy more efficient, with a wide range of capital and tax incentives for foreign investors. Cheap labour and low overheads can produce startling results when an industry is organised: Bangladesh is the fifth largest exporter of garments to the US.

Pakistanis protest after five died on Sunday objecting to Salman Rushdie's Satanic Verses

Asian Development Bank considers its future

Richard Gourlay on the report of an external review panel

TWO YEARS ago the Asian Development Bank, the region's multilateral aid body, had a problem. There were 500m people in its region in absolute poverty but it was awash with money, its net lending to borrowers was stagnating, demand for the large infrastructure loans, its stock in trade, seemed to be falling as fast as fears about deteriorating loan quality were rising, and the Bank's taste for government lending seemed a little anachronistic in a region where the private sector has had such obvious success.

Internally the Bank's Japanese-dominated management was coming under increasing pressure, partly because of its apparent lack of direction, and there were rumblings particularly from donor members that unless things shaped up the general capital increase scheduled for 1990 might not be all plain sailing.

The Bank's answer was to set up an external review panel. Led by Mr Saburo Okita, a former Japanese Foreign Minister, and consisting of Mr A K Sen, a Harvard professor, Mr Mohammad Sadli, the chairman of Indonesia's think tank, Mr Emile van Lennep, a former head of the OECD, and Mr John Hennessy, an investment banker and former World Bank board member, the panel met regularly over a year to review the ADB's direction in the 1990s.

In the period before publication of the report today one important change took place. In 1988 both ADB lending and the net transfer of assets away from the Bank increased sharply, helped by increased borrowing by India and China.

Nevertheless, donors have greeted the report with little enthusiasm. One critic said that in search of Asian consensus the report had became "a million dollar mollusc".

The key recommendation, in line with a growing trend in development thinking, recommends the ABD shift its public sector support towards direct poverty alleviation and social infrastructure investments. It said soft loans from the Asian Development Fund (ADF) should be used to ease the cash flow of social infrastructure projects – such as basic health and education – that show high economic but low financial returns.

Most controversially, it suggests that middle-income borrowers, such as Thailand and Malaysia, should be eligible for soft loans for poverty alleviation projects which may have low financial returns.

This recommendation followed a lively debate between those panelists who argued that the ADB should stick to encouraging growth directly by helping build a country's capital base and those who argued for direct poverty alleviation. The latter view prevailed but the debate was not reflected in the report.

The recommendation, if adopted by the Bank's board, implies a sizeable increase in concessional ADF funds. Japan, which is searching for ways to recycle its huge surpluses, has already increased its contributions of concessional funds to the ADB disproportionately. But the hint that Japan's voting share should rise above that of the US will be rejected by most donors, who are keen for the Bank to retain its multilateral nature.

Should middle-income countries such as Thailand, which have access to the world capital markets, be allowed concessional funds, India and China may also feel their restraint in not drawing all the ADF funds they are eligible no longer appropriate.

The panel also proposed to continue limiting programme lending backed by policy dialogue – the sort of conditional balance of payments support loan successfully taken by Indonesia in 1987 and usually associated with the World Bank – to 15 per cent of the Bank's total lending.

US officials, who are leading proponents of more lending that is conditional on sensible recipient country policies, say the panel's recommendation is retrogressive, couched in terms that would allow the Bank too much flexibility.

"We believe firm priorities should be set for each sector but the Bank prefers there should not be a well-tailored suit but a safari shirt which can cover everything," said Mr William Thomson, assistant US director to the ADB in Manila.

Other donors say the Bank should go slowly on policy-based programme lending and that co-ordination with other multilateral organisations should be improved.

In order to expand its tiny private sector lending activities, the panel recommended an Asian Finance Corporation, modelled on the World Bank's International Finance Corporation, be set up or a separate private sector department within the Bank.

Starting from a low base the Bank is developing country policies and building its capability for macro-economic analysis. The happy accident of a surge in retirements will help the Bank hire the new people it needs to back this up.

Arsonists shot dead as Sri Lankan poll nears

SECURITY forces on full alert for Sri Lanka's first general election since 1977 killed four rebels yesterday as they fled after setting fire to a bus northwest of the capital, Reuter reports from Colombo.

Police said about 40,000 police and troops were deployed across the island as the security alert took effect yesterday after four weeks of campaigning for tomorrow's election in which 13 candidates and more than 300 political activists have been killed.

President Ranasinghe Premadasa's United National Party (UNP), which has ruled the island for 11 years, blames the JVP, a left-wing terrorist group, for most of the killings.

Korean farmers riot

Thousands of militant farmers burned cars and hurled firebombs at riot police yesterday to protest against what they called the Government's disastrous agriculture policy, AP reports from Seoul. Police fired tear gas to end the two-hour protest by an estimated 15,000 farmers from throughout the country who gathered in front of the National Assembly, which opened a special 20-day session yesterday.

Investment abroad

South Korea's overseas investment in January jumped 33.2 per cent from a year earlier to $63m (£36m) in 25 projects, the Bank of Korea reported on Saturday, AP-DJ writes from Seoul.

The central bank said overseas investment in January last year was $47.3m in 25 ventures, but that included $34.7m additionally invested by Pohang Iron and Steel in its US concern.

South Korean investors favoured South-East Asia most, pouring $30m into 11 projects. Latin America followed with $14.7m in four projects, the bank said.

North accuses South

North Korea accused South Korea yesterday of "grave provocations" – one sea intrusion and two shootings across the border between February 3 and 12, AP writes from Panmunjom. Maj Gen Choi Ul Ung of North Korea also demanded that the US and South Korea stop their annual joint military training exercises. He charged that the Team Spirit exercises were an obstacle to dialogue on the divided peninsula.

Deng lauds Bhutto

Deng Xiaoping, the Chinese leader, yesterday praised Ms Benazir Bhutto, Pakistan's Prime Minister, for not taking revenge on her political foes, in an apparent attempt to erase memories of China's ties with her predecessor, Gen Zia Ul-Haq, Reuter writes from Peking. Deng met Ms Bhutto in Shanghai and applauded her for promising a policy of conciliation in Pakistan, the official New China News Agency reported.

People's Congress

China's parliament will convene its annual plenary session on March 20, a spokesman for the National People's Congress said, AP reports from Peking. Zhang Husheng, the Congress's spokesman, did not say how long the session would last. Last year the 2,900 delegates to the first session met at the Great Hall of the People for 20 days.

Sihanouk doubts

Prince Norodom Sihanouk, the Kampuchean resistance leader, said yesterday that coming peace talks in Indonesia would fail because of what he called unacceptable conditions imposed by the pro-Vietnamese government in Kampuchea, AP writes from Bangkok. Prince Sihanouk said the Kampuchean Government's opposition to an international peacekeeping force in the country would allow the return of the Khmer Rouge regime, which killed hundreds of thousands of people in 1975-78.

Shevardnadze to tour Middle East and Gulf

MR Eduard Shevardnadze, the Soviet Foreign Minister, will tour the Middle East and the Gulf this month to discuss regional problems and boost ties, a Soviet spokesman said yesterday, Reuter reports from Moscow.

Mr Vadim Perfilyev, a Foreign Ministry spokesman, said Mr Shevardnadze would start the tour in Syria on Friday. He would go on to Jordan, Egypt, Iraq and Iran, before flying back to Moscow on February 27. He said a meeting with Mr Yassir Arafat, the Palestine Liberation Organisation leader, could not be ruled out but no details of the programme were yet available.

The visit is evidence of an increasing Soviet role in the Middle East. The last time a Soviet Foreign Minister visited Egypt was in 1975, when Mr Andrei Gromyko held the post.

Iranian amnesty

Iran has freed more than 1,000 counter-revolutionaries, some of them facing death sentences, under an amnesty to mark the 10th anniversary of the Islamic revolution, Reuter reports from Nicosia.

Tehran Radio, monitored by the BBC, said yesterday that 740 prisoners from Western Azarbaijan, Shiraz, Sanandaj, Saqez, Mashad and Hamadan had been freed under the amnesty proclaimed by Ayatollah Ruhollah Khomeini.

Egypt-Saudi talks

Mr Esmat Abdel-Maguid, the Egyptian Foreign Minister, arrived in Saudi Arabia yesterday for a two-day visit to reassert the strong ties between the two countries, the official Saudi Press Agency reported, Reuter writes from Riyadh.

Mr Abdel-Maguid denied a Lebanese press report saying tensions had arisen between Saudi Arabia and Egypt. A report in the Beirut leftist newspaper As-Safir said Saudi Arabia was annoyed over the proposed formation of a sub-regional grouping bringing together Egypt, Iraq, Jordan and North Yemen, which some observers see as a rival to Saudi leadership in the Gulf Co-operation Council.

Waldegrave in Iraq

Mr William Waldegrave, the British Minister of State for Foreign Affairs, arrived in Baghdad yesterday for talks with Iraqi officials on bilateral relations and Middle East developments, the Iraqi news agency INA reported, Reuter writes from Baghdad.

Amman brokers hit

Police sealed the offices of at least three brokerage firms in Amman on Sunday and posted armed guards at their doors, witnesses said, Reuter writes from Amman.

There was similar action last Wednesday against the kingdom's 70 or so moneychangers, accused of speculation against the dinar.

Boesak joins S African detainees' hunger strike

By Our Foreign Staff

ONE OF South Africa's leading anti-apartheid campaigners announced yesterday that he had begun an indefinite fast in solidarity with nearly 300 hunger strikers, who are demanding that they be either charged with a crime or released.

"None of us wish to die," the Rev Allan Boesak, president of the World Alliance of Reformed Churches, said in a letter to Mr Adriaan Vlok, the Minister of Law and Order. "But if this is the road we must take to make you and your Government understand the evil of your ways, we will take it."

Mr Boesak said of the hunger strikers, "Their action is a dramatic one which could have fateful consequences for all of us in this country. It is in itself an extraordinary indictment of your Government, most especially your system of detention without trial."

"Fasting until death is not part of my religious or ecclesiastical tradition," Mr Boesak went on. "But I cannot stand idly by and watch those are struggling for justice in South Africa starve themselves to death. . . I now know what God wants me to do. I can only hope and pray that you know what God wants you to do."

Mr Vlok has said that he will meet lawyers representing nearly 300 black detainees on a hunger strike and will free them immediately if he was convinced they did not endanger the public.

Some of the hunger strikers have reportedly not eaten for three weeks.

Mr Vlok said the meetings with lawyers, to begin today were part of the continual process of reviewing the cases of an estimated 1,000 people detained without charge, some of them for nearly three years.

Peres defends union deal

By Andrew Whitley in Jerusalem

MR SHIMON PERES, the Israeli Finance Minister, defending his weekend agreement about changes in government economic policy with the unions against attacks from the right, declared yesterday that he did not intend to continue the policies of his predecessor.

The Labour Party leader, who took his present job in December, is facing protests from Likud members of the coalition government, accusing him of feather-bedding the Histadrut labour federation.

Several of the budget changes Mr Peres agreed to make to avert a threatened general strike, notably an increase in taxes, were also strongly opposed by his own senior officials.

The Maghreb tugs at Western Europe's sleeve

Francis Ghilès on North Africa's growing demand for attention from the European Community

EIGHTEEN months ago, King Hassan of Morocco's declared intention of applying for membership of the European Community was greeted in the European media with a mixture of incredulity, scorn and the kind of racial jibe which many educated Arabs have come to expect from Western countries.

Few Europeans can thus be expected to pay much attention to the Maghreb summit which King Hassan is hosting in Marrakesh later this week and which brings together the heads of state of Algeria, Libya, Mauritania, Morocco and Tunisia.

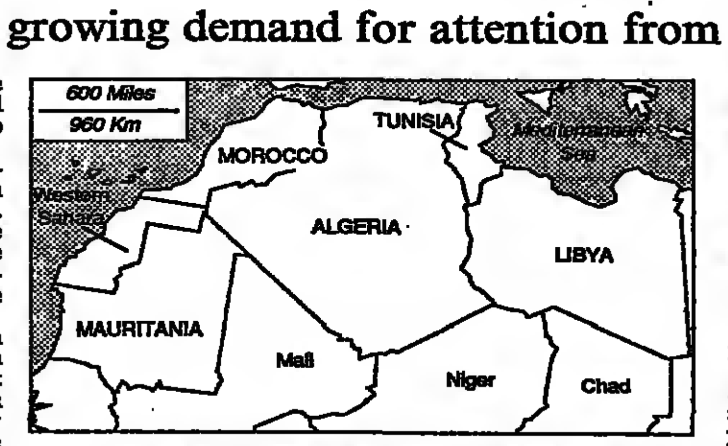
Yet this gathering deserves more than the fleeting interest that tourists in Marrakesh will show for the traditional pageantry King Hassan likes to display when receiving important visitors. It is only the second of its kind, the first having taken place in Algiers last May, just after Algeria and Morocco had renewed diplomatic links broken off for 13 years because of their dispute over the Western Sahara.

The three central North African countries, Algeria, Morocco and Tunisia, conduct two thirds of their trade with the EC, over half their exports, worth $13.5bn (£7.7bn) in 1987, going to France, Italy and Spain. EC banks hold between one half and two thirds of the debt of Algeria, Morocco and Tunisia, which amounts to about $47bn.

More than 3m North Africans work on the northern shores of the Mediterranean. The bulk of immigrants are concentrated in France, where their presence is one of the reasons behind the revival of the right-wing National Front.

Large communities of North African workers also live in Belgium and Holland. At least 100,000 Moroccans live in Spain and fishing boats regularly land illegal immigrants. The Italian Deputy Prime Minister, Mr Gianni de Michaelis, openly frets about the growing number of Tunisians and Algerians seeking entry into Europe through Sicily and southern Italy. The high birth rate in North Africa, where half the population is under 25 years old, poses a long-term challenge to the EC.

Senior civil servants in Paris, Madrid and Rome argue that the large loans and aid granted recently to Morocco, Tunisia and Algeria must be seen in this context. But some politicians, particularly in Paris, would like to see the creation of an EC sub-group, including France, Italy, Spain and Portugal, to help to improve "dialogue" with the three central Maghreb states.



THE COUNTRIES OF THE MAGHREB

	Pop. (m)	Area (km²)	GNP ($bn)	Debt ($bn)
Algeria	23.10†	2,381,741	64.97	22.86
Morocco	23.31	710,850	18.44	20.71
Tunisia	7.63	163,610	8.67	6.42
Libya	4.06	1,775,500	20.87	2.50
Mauritania	1.86	1,030,700	1.65	2.04

All figures 1986 except †1987

Source: FT and EIU

Such a move risks accentuating the division which already exists *vis-à-vis* the Maghreb in the EC. Another approach would be to engage the interest of countries such as Britain and West Germany. It is worth noting that Mrs Margaret Thatcher's visit to Morocco next month will be the first to North Africa by a British Prime Minister since 1943.

For their part, Maghreb leaders know they must find a common voice if they are to carry greater weight in Brussels, especially after 1992. But this will not be easily achieved. All the heads of state are officially committed to the "Arab Maghreb Union," but no two countries share the same view as to what it might look like. The Libyan leader, Colonel Moammer Gadaffi, is so committed to the instant abolition of frontiers that he recently ordered the Libyan Football Federation to forfeit a match with Algeria on the grounds that the Libyan and Algerian teams are one.

Tunisian leaders are pragmatic. While they welcome the economic benefits of open frontiers with Libya, President Zine El Abidine Ben Ali knows that the participation of Algeria and Morocco is essential to maintain the balance.

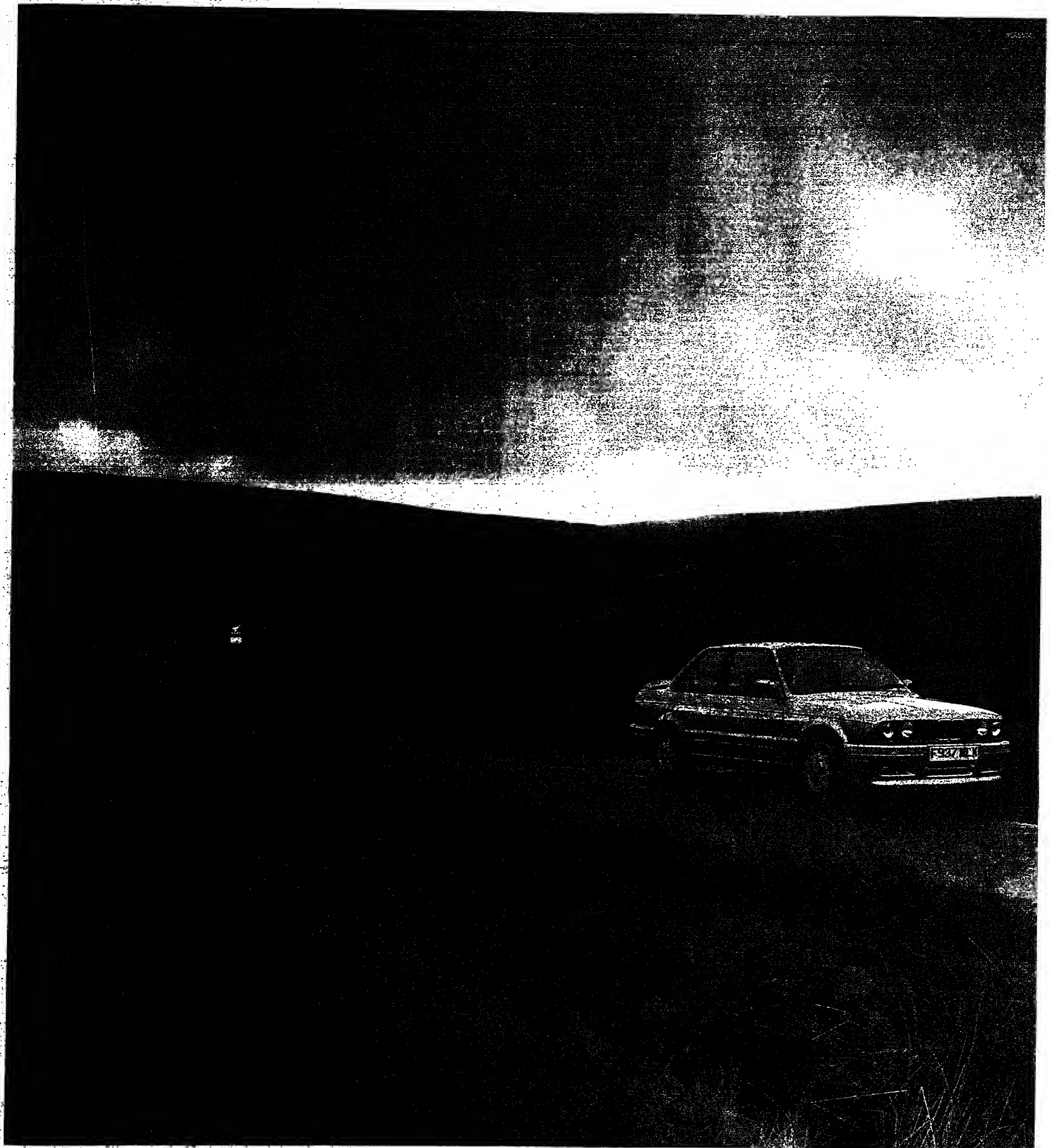
Some observers think that Morocco's early enthusiasm for Maghreb unity may have been a smokescreen to justify building ties with Algeria. Senior Moroccans appear most interested in forging links with their eastern neighbour.

Algeria holds one of the keys to the success or failure of any plans to increase economic co-operation among countries of the region. First of all, its sheer size and wealth in hydrocarbons gives it great weight. Second, the economic reforms announced in the wake of last October's riots should help bring the country more in line with its neighbours economically, although the process of change will be arduous and may yet fail.

The very limited amount of business conducted among the three central Maghreb states – 1.5 per cent of their foreign trade at most – stands in sharp contrast to the importance of exchanges with EC countries. The result of 30 years of quarrelling has been to destroy age-old inter-Maghreb links.

Rebuilding these links will take time but total freedom of travel is a key to success. If families in western Algeria, where private enterprise is strong and well established, are allowed to rebuild the matrimonial links they had for centuries with the old imperial capital of Fez, in eastern Morocco, more factories will be set up, trade flows established and jobs created than by any number of the expensive state-sponsored joint ventures favoured recently.

Another equally sharp contrast lies in the fact that the EC absorbs roughly 70 per cent of all Maghreb exports, while North Africa only accounts for 1.5 per cent of EC exports. Such a situation is unlikely to change in the near future as three quarters of the value of North African exports is accounted for by hydrocarbons. Morocco and Tunisia have succeeded in diversifying their exports away from mineral resources, but quotas imposed in Brussels and the sheer cost, for relatively small countries, of conquering foreign markets make further quick gains unlikely.



EC scraps Japan truck 'dumping' inquiry

By David Buchan in Brussels

THE European Commission has dropped an anti-dumping investigation into sales of Japanese wheeled dump trucks, after finding that despite increased Japanese market penetration, European companies had managed to boost their own sales in the Community.

In December 1987, the Commission responded to a complaint by six EC makers of earth-moving equipment – J C Bamford, J I Case Europe, Bray Construction of the UK, Hanomak and Orenstein & Koppel of West Germany, and Fiatgeotech of Italy – by opening a dumping investigation into the EC sales of five Japanese companies.

The inquiry confirmed that the Japanese share of this EC market had indeed risen from 5.5 per cent in 1983 to 8.8 per cent in 1987, but it also failed to turn up any sign of damage that this had done to the EC plaintiff companies.

Since proof of injury is required for any anti-dumping action, the Commission said yesterday it was pointless to continue the investigation.

EC, US could still meet April farm trade deadline

Elements of a package need only to be put together, Tim Josling and Stefan Tangermann write

THE CURRENT disagreements between the EC and the US over agricultural trade pose a serious threat to the Uruguay Round of negotiations under the aegis of the General Agreement on Tariffs and Trade (Gatt).

At the Mid-Term Review last December, ministers were unable to decide on a framework for the agricultural negotiations for the remaining two years of the round. The sticking point was the US insistence on a commitment to an eventual goal of completely eliminating all trade-affecting support in agriculture.

The EC was not willing to commit itself to more than a "substantial reduction". Intensive discnssions failed to bridge the gap, and ministers agreed to a new deadline in April for a resolution to this issue. They asked the Director-General of Gatt to do some "shuttle diplomacy" to try to pave the way for such an accord.

It now seems possible that some compromise will be reached thet will allow countries to continne the trade negotiations. The reshuffled negotiating teams may be able to agree on a form of words thet eluded them at Montreal.

But the opportunity still exists to come to a meaningful agreement that will have a lasting impact on agricultural policies and on the trading system. In seeking a compromise, the long-term goal of bringing agriculture fully into Gatt should not be lost.

Concrete commitments agreed during the current Gatt round should make a significant step toward this goal, even if they leave its eventual achievement to future Gatt negotiations.

To be acceptable to the negotiating parties, such an agreement must respect the integrity of both the US and the EC positions. The US seeks a real improvement in the situation in agricultural trade. As a competitive producer, it has a strong interest in making sure that agricultural trade flows are determined by market forces. From a US perspective it is logical to press for a goal of free trade in agriculture, even if it cannot be reached at once.

The EC is equally sincere in opposing such a commitment at this time. European agriculture is undoubtedly less competitive in many products. To pay compensation to farmers who were not competitive could place enormous strain on the Community's budget.

Moreover, the EC has made a number of politically painful adjustments to its agricultural policy in recent years. To be forced to agree on even more radical changes now may be more than the Community's political system can handle.

How does one preserve the movement towards a market-driven trade system without putting an impossible burden on domestic politics? The elements of a package which could largely satisfy these constraints are already on the table in various forms. What remains is for them to be put together. Such a package for an April agreement could contain the following elements:

- An agreement not to raise support levels for agriculture for the years 1989 and 1990 above the average level of 1984-86.

A freeze in support levels for the period covering the remainder of the negotiations has already been suggested (in slightly different forms) by the EC, the Cairns Group – representing the leading independent farm prodncers and including such countries as Australia, Argentina, Hungary and Thailand – and the US.

The measure used to monitor the freeze could be based on a modification of the Producer Subsidy Equivalents (PSEs) already calculated by the Organisation for Economic Co-operation and Development (OECD) for that period.

- An agreement to reduce by 1995 the level of support to no more than 50 per cent of the average 1984-86 level. Country plans would be presented by the end of 1989, specifying the policy changes which would accomplish this objective.

A 50 per cent reduction relative to the (fairly high) 1984-86 levels would represent a significant move toward a more liberal trade system, as advocated by the US proposal, but would not imply the end of the Common Agricultural Policy (CAP).

The policy changes would be incorporated in the plans presented by the country concerned and agreed by the other parties to the negotiations. Countries would bind into Gatt those parts of the country plans that are subject to government control. Country plans are an explicit part of the US position and are consistent with the Cairns Group proposal, which calls for specific policy adjustments.

- An agreement to convert all remaining import barriers to tariffs by the end of 1995 and bind those levels. Countries would also bind maximum levels of export subsidy on an agreed list of products.

This element of the agreement would take over at the end of the transitional period of support reduction. Non-tariff measures, such as the EC's variable levy, would be bound, by converting them into tariffs, as is now suggested by the US.

Maximum levels of export subsidies would also be agreed at this time. These changes would have significant impact on the mechanisms of the EC's CAP, but would not be inconsistent with its existence.

- A commitment to negotiate and adopt, by the end of 1995, changes in Gatt rules and obligations. Countries would agree to eliminate all country-specific exceptions and waivers and to review the exemptions for agricultural products contained in Articles XI and XVI of Gatt.

All existing proposals agree on the need for revised rules. These revisions would include bringing all existing policies under more effective Gatt disciplines; the strengthening of surveillance and dispute settlement procedures; and the harmonisation of sanitary and phytosanitary regulations which at present impede trade.

- An agreement to work for the eventual elimination of remaining trade-distorting subsidies and barriers to import access at a pace no slower than that for non-agricultural products.

The final element would confirm the ultimate objective of a more market-oriented, transparent and stable trading system. But elimination of all such subsidies and barriers is unlikely to occur before free trade prevails in other sectors of the economy. Hence, the appropriate commitment now should be framed with reference to progress in reducing such barriers and subsidies in other sectors.

Adopting snch a package would underpin the present progress toward reform in farm programmes. By contrast, failure to reach a meaningful agreement would send all the wrong signals to those framing domestic policies.

Stefan Tangermann is a Professor of Agricultural Economics and Vice President, University of Gottingen, West Germany; and Tim Josling is a Professor in the Food Research Institute, Stanford University, California.

US airline in $900m deal for 10 Airbuses

By Michael Donne, Aerospace Correspondent

NORTHWEST Airlines of the US has signed a firm contract for the purchase of 10 European Airbus A-330 wide-bodied twin-engined medium-range jet airliners, worth about $900m (£500m).

This deal, announced yesterday by Airbus Industrie, is in addition to the previously announced commitment by Northwest for 20 Airbus A-340 four-engined long-range airliners, with options on 10 A-330s.

The airline also has a commitment for 100 of the short-to-medium-range twin-engined single-aisle A-320 airliners, deliveries for which start this summer.

Airbus Industrie said the A-330s would be delivered to Northwest between July and December, 1994.

The latest deal brings to 167 the number of firm orders, options and commitments for the A-330/A-340 family of jet airliners.

- Garuda Indonesia Airways is to buy six McDonnell-Douglas MD-11 tri-jets, for more than $600m.

Korea go-ahead for life groups

THE South Korean Ministry of Finance will allow five US life insurance groups to establish companies in Korea, AP reports from Seoul.

A ministry official said the Government had given preliminary acceptance to the US applications of four US-Korean joint ventures and one wholly-owned US unit in the local life insurance business.

The four US-Korean partners are Aetna International with Dongbu Steel; Metropolitan Life Insurance with the Kolon Group; Connecticut Mutual Life Insurance with Coryo Securities, and Mutual Benefit Life Insurance with Tongyang Cement.

Prudential Bache was allowed to set up a wholly-owned subsidiary.

Egypt to share in new economic community

By Lamis Andoni in Amman

PRIME ministers of Jordan, Egypt, Iraq and North Yemen are scheduled to meet in Amman today to lay the foundations for a new regional economic community. The leaders of the four countries will officially declare the birth of the Amman-based Arab Co-operation Council (ACC), in a summit meeting in Baghdad on Thursday.

Jordanian officials hope the ACC will provide a realistic framework for inter-Arab co-operation, albeit initially limited, in the light of the decline of effective pan-Arab collaboration.

The ACC is also believed to provide a practical venue for Cairo to reintegrate in the Arab world, and for both Cairo and Baghdad to reassert a leading role in Arab regional power politics.

Officials from the four countries have repeatedly said the council was open to other countries, inclnding those already bound to other regional communities.

Jordan has already sought the participation of Syria, but differences between Damascus and Baghdad will not make this possible in the immediate future.

During talks between Syria's Prime Minister, Mr Mahmoud al-Zoobi, and his Jordanian counterpart, Mr Zaid Rifai, in Amman last week, Syria is reported to have said its political differences with Iraq will not prevent its co-operation with the new community.

In fact, Syria has already signed two wide-ranging economic treaties with both North Yemen and Jordan, while the normalisation process with Cairo seems to be making steady progress.

Although the Palestine Liberation Organisation has so far been excluded from the emerging bloc, a senior Jordanian official said all parties would welcome the participation of the PLO or that of a future state of Palestine.

The idea of forming an economic community was initiated by King Hussein of Jordan, who is reported to have started pursuing an active campaign last August.

The king, taking advantage of his good relations with all parties involved, has remained the prime mover behind an idea that analysts believe to be essential for Jordanian interests.

Economists however, do not believe the ACC can provide an immediate solution to Jordan's problems, especially regarding the repayment of foreign debts which, according to official figures, amount to $3bn (£1.6bn), but which are estimate by some bankers at about $6bn.

Iraq and North Yemen will provide potential markets for Jordanian exports. Last December, Baghdad agreed to import $800m-worth of goods from Jordan.

Over the past three months, the four countries involved have signed a series of bilateral economic agreements with one another, to serve as a basis for a broader co-operation.

Despite repeated denials by Arab officials that the ACC will turn into a political bloc, each country has its own aims it hopes to achieve.

Although the ACC project has been widely welcomed, the new form of inter-Arab co-operation must still withstand the tests of Arab political differences.

1992 'threat' to drugs sales

By Peter Marsh

MULTINATIONAL pharmacentical companies with activities across the European Community are likely to lose out to smaller rivals under the proposed abolition of EC trade barriers after 1992, according to a study out today.

The report* deals a blow to the idea that, across industry in general, big companies operating on a pan-EC basis will have the most to gain from the changes due in 1992.

The study says the multinationals may see an impact on their sales from the likely shrinking in value of the £20bn-a-year EC pharmaceutical market after the elimination of trade controls.

This decrease in the market, which could be up to 10 per cent, would be caused by the likely drug price harmonisation across the EC once 1992 takes effect.

Harmonisation could involve countries with high drug prices – such as West Germany and Britain – being forced, through the change in trading patterns to lower their pharmaceutical tariffs to nearer the levels set by other nations. Countries which have relatively low drug prices include France, Italy, Spain, Portugal and Greece.

These changes would mean that big companies with sales fairly evenly spread across the EC would lose their competitive edge over smaller companies which either target sales at nations where drug prices are already relatively low or which mainly sell cut-price "generic" drugs.

Generic medications are copies of branded pharmaceuticals made when the patents on the latter run out, and are normally cheaper.

The effect of 1992 may benefit the large companies to some degree, in that government approvals for new drugs are likely to be rationalised across the Community.

According to Shearson Lehman Hutton, the multinationals worst affected will be those with the highest proportion of their sales in countries which now have high prices and are likely to move tariffs downwards.

These companies include Britain's Glaxo, Bayer of West Germany, and Squibb of the US. Least affected multinationals would include Britain's Beecham, Merck of the US and Sandoz and F Hoffmann-La Roche of Switzerland.

**Pharmaceuticals in Europe: challenges posed by pharmaceutical deregulation; Shearson Lehman Hutton, 1 Broadgate, London, EC2 M7HA*

UK NEWS

Stock Exchange dealing changes come into effect

By Richard Waters

THE FIRST fundamental change to the London Stock Exchange's dealing rules since deregulation of financial markets failed to cause upheaval on the stock market yesterday as market participants cautiously digested the effects of the change.

Market-makers are no longer obliged to deal with each other at prices and in the volumes they quote on Seaq, the Exchange's quotations system.

This is intended to meet concerns from large market-makers that the obligation to deal left them at a disadvantage to market competitors who were able to cover their own exposures by off-loading them at quoted prices.

As expected, Barclays de Zoete Wedd and Phillips & Drew, two large securities houses which under the previous system had reduced the size of deals they quoted on Seaq, immediately raised the sizes of bargains in which they would deal.

However, they did not raise them to the standard 100,000 shares across the board, but stuck at 50,000 or even 25,000 in some shares. Some other market-makers subsequently dropped the volume quoted for some stocks to these levels.

US-owned securities houses, which have been most critical of the new rules, gave a mixed response yesterday. According to one head of equities, the change has not made it more difficult for them to do business.

"In reality, business talks and it doesn't matter if you're British, American, Japanese or whatever."

A rival US firm, however, argued that the rule change reduced the transparency of the London market. It commented: "Nothing has happened today to change our views. It will take time for these changes to make their effects felt."

The rule change did not appear to have any immediate effect on trading patterns. One large market-maker reported that it had turned down others only twice during the day, and had itself been turned down only once.

It was suggested in some quarters that they had held down the volume of deals transacted during the day. However, others pointed out that yesterday was the first day of the Stock Exchange's two-week account period, which is traditionally quiet.

Most market-makers agreed that the full impact would not be felt until the end of this month, when a second related rule change will come into force. This removes the need to report large transactions publicly until the day after they have been carried out.

● The LSE's automated dealing system, known as Saef, also got off to a slow start on its first day yesterday.

Just 140 bargains were put through the system, which enables brokers to buy or sell shares at quoted prices at the touch of a button. This compared with about 30,000 trades in the market as a whole.

A spokesman for the exchange said that despite the low volume, which was not far below that predicted, Saef had worked well on its first day and is likely to become more popular as brokers and their clients become aware of its advantages.

Accountant firm to pay £24m in JMB claim

By Richard Waters

ARTHUR YOUNG, the accountants, yesterday agreed to pay £24.25m to settle claims relating to its work as auditor of Johnson Matthey Bankers, which was rescued by the Bank of England in 1984.

The out-of-court settlement with JMB's parent, Johnson Matthey, follows a £25m settlement with the Bank of England in October. The latest settlement brings to a close the most expensive negligence case against UK accountants.

Johnson Matthey was forced to pump £50m into its banking subsidiary to keep it afloat before selling it to the Bank of England for a nominal amount.

Mr Peter Edwards, UK managing partner of Arthur Young, said his firm was pleased to have settled the case, which dates back to audit work carried out in 1983 and 1983.

"It has been very worrying that something which happened in 1982 could leave us still grappling with massive claims in 1989," he said.

A second large negligence claim against a UK auditor remains unsettled. This was against Arthur Andersen, the accountant and management consultancy, over its audits of the De Lorean car company in Northern Ireland.

Boom slows but inflation fears remain

By Ralph Atkins and Maggie Urry

FRESH EVIDENCE that high interest rates are hitting consumer spending, but not yet easing inflationary pressures, came in official figures published yesterday.

Retail sales volumes fell by a provisional 1.5 per cent in January after adjustment for normal seasonal variations, the Department of Trade and Industry (DTI) said. It was the biggest monthly fall since May 1987 and followed a rise of 0.3 per cent in December.

However, other DTI figures showed a sharp rise in factory gate prices of manufactured goods. There was also a pick-up in the cost of materials and fuel purchased by manufacturers.

The figures provided mixed signals for financial markets. London analysts said the underlying growth rate in consumer spending had moderated but this was offset by the worrying inflation outlook.

The FT-SE 100 share index was falling before the figures but rallied slightly afterwards and ended 23.4 points down at 2032.7 – its lowest close since late January. The FT Ordinary index closed down 22.8 at 1658.1.

Markets were unsettled by comments at the weekend from Mr Nigel Lawson, the Chancellor, that figures for January's retail price index released on Friday will show the annual inflation rate above 7 per cent. London share prices were also marked down after falls on Wall Street late on Friday and in Tokyo overnight.

Speculation about higher interest rates in the US and West Germany added to nervousness. It triggered fears that UK base rates may have to remain high for some time – or even rise.

Mr Kevin Gardiner, economist at Warburg Securities, said: "Not only is the UK picture unclear but the global backdrop is not conducive to a cut in base rates."

The retail sales figures were in line with the results of yesterday's Confederation of British Industry/Financial Times distributive trades survey. This showed retail sales growth falling in January to the lowest level for nearly three years and retailers gloomy about February.

The DTI figures show that in the three months to January the level of sales was less than ½ per cent above that in the previous three months. Compared with the corresponding period a year before, sales were 4.5 per cent higher – down from peaks of about 7 per cent during the summer.

Monthly figures are often revised, however, and January's volumes could have been distorted by retailers bringing forward cut-price sales into December. The DTI said future month's figures are likely to show that January was below the trend.

The Treasury acknowledged that prices of manufactured goods had accelerated but said action had been taken to restrain inflationary pressures in the economy. The latest retail sales figures confirmed that high interest rates were having an impact.

The consumer sector is likely to be the first part of the economy affected by higher costs of borrowing. January's factory gate prices of manufactured goods could have reflected strong demand last year and may ease later this year as a delayed response to the slowdown in consumer spending.

The DTI said January's fall in retail sales was spread across most categories of stores – a picture confirmed yesterday by retailers. They said the Government's measures to curb consumer spending were beginning to bite, with sales of high-ticket items slowing.

Mr Michael Pickard, chief executive of Sears, which includes mail order, footwear and fashion shops, as well as Selfridges, the UK department store, said the group's experience was much in line with the slowing trend of recent months. There had been some resurgence in ladies wear, he said.

Mr Geoff Davy, chief executive of BhS, part of the Storehouse group, pointed out that the first week of the January sales fell entirely in December leaving less for the following month.

Boots, the chemist chain, said sales of cough and cold medicines were up to expectations but sales of hot-watar bottles and electric blankets were down.

The value of retail sales in January was £8.34bn - 5.5 per cent higher than in January 1988. The seasonally adjusted index of retail sales volumes stood at a provisional 138.7 (1980=100) compared with 140.8 in December.

Output prices hit record growth rate

A BIG jump in factory gate prices of manufactured goods last month pushed the annual growth rate to the highest for nearly four years, official figures showed yesterday, writes Ralph Atkins, Economics Staff.

Output prices of manufactured goods rose 1 per cent in January, the Department of Trade and Industry said. This was much greater than analysts expected, intensifying fears of mounting inflationary pressures in the economy.

The increase partly reflected usual start-of-year price rises by manufacturers. But companies almost certainly took advantage of strong demand last year to mark up prices.

In the 12 months to January, prices rose by 5.3 per cent – the highest since May 1985 and up from 4.9 per cent in the year to December.

The DTI said the latest figures were "a little suspect" because in January 1988 there had been an unusually small increase. This had the effect of exaggerating the rise.

London financial analysts said the strong pound was probably checking manufacturers' output prices by reducing competitiveness compared to overseas rivals. However, the acceleration meant interest rates would remain high for some time.

Mr Derek Scott, economist at Barclays de Zoete Wedd, said: "It reinforces the view that talk about base rate cuts around budget time is just not on."

A slowdown in consumer spending, illustrated in yesterday's retail sales figures, could temper rises in manufacturers' factory gate prices.

The index of output prices, not seasonally-adjusted stood at 116.5 (1985=100) in January compared with 115.4 in December. The index of input prices, not seasonally-adjusted was at 103.7 (1985=100) against 102.5. The seasonally-adjusted index was at 100.8 compared with 100.2.

Minister denies deal on water charges

By John Hunt, Environment Correspondent

ALLEGATIONS that the Government had entered a secret agreement to allow water companies to raise charges by the "maximum possible" amount and then reneged on the deal were denied yesterday by Mr Michael Howard, the Environment Minister with responsibility for water privatisation.

The allegation from Mr Jack Cunningham, the opposition Labour Party's environment spokesman, was based on a letter from Ernst & Whinney, the accountancy firm which is financial adviser to the 29 statutory water companies.

The letter, to general managers of water companies, refers to a meeting between the Water Companies Association and Department of Environment officials on December 1. It says it was agreed that the companies should raise their charges to consumers "to the maximum permitted under the existing regulatory formula."

The Government has been angered at the companies' threat to raise charges between 30 per cent and 50 per cent from April. Government action is limited because the statutory companies are already in the private sector.

Mr Howard has warned that if the companies make "excessive" increases then their accounts will be sent for scrutiny to the accountancy firm of Deloitte, Haskins & Sells, the Government's advisers on water privatisation.

He will start seeing the chairmen of the water companies individually this week. If he is still not satisfied with their proposals then the scrutiny will go ahead.

The minister, speaking on BBC radio yesterday, said it was not true that the Government had reached an agreement with the water companies over pricing.

He said the proposed increases "far exceeded" anything that was considered when officials and company representatives met.

Mr Cunningham claimed that the letter "confirms that an agreement had been reached with the DoE about very substantial increases in water charges and that environment ministers have now reneged on that deal."

In a covering letter to Mr Jack Jeffery, chairman of the Water Companies Association, Ernst & Whinney says that charges by water companies are not comparable with those of the water authorities which are putting up tariffs by an average 9.8 per cent.

It says the companies must make substantial increases in tariffs because of a sudden change in water quality standards and service which they must reach to avoid penalties.

UK NEWS

N Ireland killing leads to attack on minister

By Kieran Cooke

THE SHOOTING in Belfast on Sunday night of Mr Patrick Finucane, a prominent Northern Ireland solicitor, caused intense criticism yesterday of recent comments made by Mr Douglas Hogg, a junior Home Office minister.

Mr Hogg told a parliamentary select committee last month that "certain solicitors in Northern Ireland were unduly sympathetic to one or other terrorist organisation in Northern Ireland."

Mr Finucane, the first solicitor to be killed in Ulster during 20 years of the troubles, had been involved in several court cases associated with the Republican movement. In the early 1980s he acted as solicitor for Mr Bobby Sands, the IRA hunger striker.

More recently, Mr Finucane won an action in the Belfast High Court to force members of the Royal Ulster Constabulary, who were involved in an alleged "shoot-to-kill" policy, to give evidence at an inquest.

Mr Charles Haughey, the Irish Prime Minister, said he was horrified by Mr Finucane's murder. "The need for the greatest care to be given to any statement which might have tragic consequences in Northern Ireland has once again been underlined." Mr Haughey's statement was seen as a clear reference to Mr Hogg's recent comments.

Dr Brian Feeney, a councillor for the mainly Roman Catholic Social Democratic and Labour Party for North Belfast, said that Mr Finucane's killing was the "first fruit" of Mr Hogg's parliamentary statement. Dr Feeney said Mr Hogg's comments were seen by loyalists as "clearly legitimising" attacks on Roman Catholic solicitors who represented repnblicans

The Committee on the Administration of Justice in Northern Ireland, a lawyers' pressure group, said Mr Hogg should either disown his statement or resign.

Mr Tom King, the Northern Ireland Secretary, said there was no connection between the remarks made by Mr Hogg and the shooting of Mr Finucane. Mr Hogg issued a statement condemning Mr Finucane's murder but not referring to his recent comments.

The Ulster Freedom Fighters, a small loyalist terrorist group which has carried out several sectarian killings, admitted the murder, claiming Mr Finucane was an IRA member.

Job training scheme cut by 10%

By Fiona Thompson, Labour Staff

THE Government is cutting the number of places on its Employment Training scheme by 10 per cent because not enough people have joined.

The Department of Employment's Training Agency, which is responsible for the scheme, is renegotiating its contracts with the 1,000 training managers which are operating ET.

In addition, some of the extra money made available due to the poor take-up is to be used to provide more trainees with higher grants.

When the Government launched its £1.5bn training programme amid great fanfare last September, its aim was to provide an average of six months' training for about 600,600 long-term unemployed adults a year. But only 137,000 have signed on so far, well short of the Department of Employment's target of a monthly enrolment of about 45,000.

Area officers from the Training Agency are now talking with each training manager about current performance. This renegotiation process is expected to result in reducing the number of six monthly places from 300,000 to 265,000.

The training managers come from voluntary organisations, local authorities and the private sector. Several local authorities have reported severe difficulties in filling places and a number of voluntary organisations have had major financial problems because of this.

While they bear all the outgoings – staff, buildings and equipment – of providing for a set number of participants, they receive money from the Government only when they fill a place, so a shortfall in take-up can spell disaster.

"Lots of training managers are facing a cash crisis," said Mr David Simmonds of the National Council of Voluntary Organisations, whose members operate a third of the total programme.

The Sheffield Council for Voluntary Service, in northern England, decided at the end of December to pull out of ET altogether because "after three months of running the scheme we found we were entering a period of considerable financial risk," said Mr Philip Ray, director. Sheffield had 600 places but only 250-300 participants.

"There needs to be a greater degree of security of finance for voluntary organisations," said Mr Ray. "Commercial organisations are able to bridge the gap until they build up the numbers. We cannot."

However, the Training Agency has also found it difficult to attract enough employers to provide places and at Christmas launched a £4m scheme to try and boost the numbers.

The Training Agency said yesterday the object of its renegotiation exercise was to see whether funding properly reflected the costs of providing training during the start-up stage. Because the scheme had been performing "slightly below target", there was some extra money available from the allocated funds which would be used to increase the number of places that attract supplementary grant.

At present, two thirds of all places attract a supplementary grant over and above the £17.50 per week basic grant. That is used to provide more expensive training.

Unilever workers' pan-European move

Margarine workers employed by Unilever, the Anglo-Dutch food and detergents group, are to attempt pan-European co-ordination in negotiations with the company in readiness for the single market in 1992.

This was announced after a weekend conference of 27 union officials representing 10,000 Unilever employees in five European countries at Amsterdam. Mr Andrew Miller, northern regional officer of the manufacturing, science and finance union, said that organising international co-ordination in margarine factories was the first step and unions in other divisions of Unilever would follow.

The conference included an exchange of information about Unilever policy and strategy as understood by the unions in each country. In Britain's case the unions are MSF, the Transport and General Workers and Usdaw, the shop, distributive and allied workers' union.

Harsh cuts can't yet prune the losses

Maurice Samuelson considers British Coal's break-even strategy

MR ARTHUR SCARGILL, president of the National Union of Miners, was accused of hysterical alarmism seven years ago when he alleged that the National Coal Board had a secret "hit list" to get rid of 70,000 miners and 70 pits.

Since then, Britain's mining workforce has fallen by 120,000 – from 207,000 to 87,000 – and the list of collieries has fallen by nearly 100 to 93.

The changes would have been far less dramatic without the 1984/85 miners' strike. But with another round of reductions in full swing, Mr Scargill has been recalling his original predictions in a spirit of "I told you so."

Sir Robert Haslam's predicament is exactly the opposite. In retrospect, British Coal's chairman proved too optimistic in some of his statements since succeeding Sir Ian MacGregor in August 1986. After staunching the main haemorrhage of jobs and pits he went on to proclaim for more than a year that the industry was "on course" or "on track" to break even in 1988-89.

The mood changed last November when he ruefully admitted that although the board still aimed to break even in the current financial year, it would take "a near miracle" to achieve it. The corporation revealed last week that although it made an operating profit of some £450m last year, interest payments on its £4bn of outstanding debt left British Coal with a £100m loss.

He also warned of further cost-cutting measures, including the reduction of more mining capacity. Still traumatised by the hit-list controversies of the early 1980s, British Coal discouraged attempts to quantify the risk to jobs and pits implicit in Sir Robert's warning.

But coal industry insiders predicted that nearly 20,000 men would be offered redundancy and more collieries would shut in the next 18 months.

Since the turn of the year, these figures have begun to look credible. By last week, 14 collieries had been recommended either for closure or for workforce cuts.

Ironically, Sir Robert Haslam's confident forecasts were justified when he made them, and still are in a slightly longer timescale. The corporation had, after all, raised its productivity by a remarkable 75 per cent and was making an operating profit.

MINING WORKFORCE

	Men on pit books	Annual loss
1982-83	207,000	11,100
1983-84	191,800	16,100
1984-85	175,400	16,100
1985-86	154,600	20,000
1986-87	125,400	29,200
1987-88	104,336	21,065
1988-89*	87,700	16,544
1989-90*	78,000	17,791

*First 37 weeks [illegible]
Sources: British Coal and industry estimates

At the end of 1988, the corporation reported the following comparisons with 1982-83: output was 94 per cent higher per coalface; output per man shift was 85 per cent up; operating costs were down by a quarter in pounds per gigajoule; saleable output was 21 per cent down; the number of coalfaces was 59 per cent down; manning levels were 58 per cent lower; and there were 51 per cent fewer pits.

Two weeks ago, the Monopolies and Mergers Commission called the coal industry's achievements "impressive by any standards".

However, as Sir Robert noted, the corporation's balance sheet would also look a lot different if it were relieved of its £440m-a-year interest charges, which are tantamount to a dividend to Government. He coupled that with a plea for an early writedown of the industry's long-term debts, which sympathisers of the coal industry have been urging for nearly a decade. The Government's response is awaited.

It was left to Mr Cecil Parkinson, Energy Secretary, to spell out the new situation when he told the House of Commons last week that instead of breaking even the corporation's losses would reach £100m with more of the same next year.

The corporation, he added, was reacting to these pressures by accelerating the "restructuring of its operations" by shedding "unprofitable business in non-core markets" and a reduction of its capital requirements over the next two years.

Sir Robert must be more frustrated than ever at the receding prospect of financially breaking even. His three-year chairmanship is due to expire in August. He is reported to have been asked to stay on for another year. In the new climate, it is not yet clear whether he will do so.

Court decision due today on Plessey-GEC dispute

By Raymond Hughes, Law Courts Correspondent

A HIGH COURT judge will decide today whether General Electric Company, Britain's biggest electricals and electronics group, can be forced to sell to Plessey its half interest in their joint venture telecommunications company GPT.

Mr Justice Morritt will give judgment on GEC's claim for a declaration that Plessey is not entitled to exercise an option in the GPT agreement compulsorily to buy out GEC's 50 per cent interest.

Plessey contends the option has been triggered by the agreement between GEC and Siemens of West Germany, to make a bid for Plessey. The bid was referred to the Monopolies and Mergers Commission last month.

It is anticipated that the loser in today's judgment will take the case on to the Court of Appeal. Both sides will be anxious to get a final court ruling as quickly as possible.

GPT was formed last March when GEC and Plessey agreed to merge their telecommunications interests. Valued at about £1.8bn, it constitutes substantially the whole of the UK's telecommunications manufacturing capacity. Plessey's half share is its largest single asset while GEC's share is one of its major assets.

GEC has told the court that a forced buy-out would have drastic consequences, losing GEC its strategic place in the UK telecommunications industry and, because of the basis upon which its half interest would be valued, also losing it about £200m on the market value of its GPT holding.

● London Life, Britain's oldest mutual insurer, began its application for High Court approval of its plan to merge with Australian Mutual Provident, Australasia's biggest life insurer. The application to Mr Justice Hoffmann is expected to last four days. A stormy extraordinary general meeting last October to pass the merger resolution was held invalid after policyholders took court action.

COMPANY NOTICES

FIDELITY GLOBAL SELECTION FUND
Societe d'Investissement a Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 27223

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY GLOBAL SELECTION FUND, a [illegible] "Fund"), will be held at the principal and registered office of the Fund, 13, Boulevard de la Foire, Luxembourg, [illegible] specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the period from organisation of the Fund through October 31, 1988.
4. Discharge of the Board of Directors and the Auditor.
5. Election of seven (7) Directors, specifically the re-election of the following [illegible]
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting [illegible]

Dated: January 23, 1989

BY ORDER OF THE BOARD OF DIRECTORS

UK NEWS

Shot in the arm for generic drugs

Peter Marsh looks at changes in the Government's NHS policy

OFFICIALS in the Department of Health are wrestling with a brain teaser. They are considering how to restrict rises in the £2.2bn a year that the National Health Service spends on medicines – while at the same time safeguarding the health, not only of patients, but of the large and powerful UK pharmaceutical industry.

An added stipulation is that the purely UK-oriented measures to achieve these aims must fit in with the pricing and licensing arrangements for drugs which the rest of the European Community adopts during the run-up to the 1992 single market.

Those changes should lead to more cross-border shipments of medicines and present Britain with the opportunity to buy more pharmaceuticals from other European countries where drug prices are lower.

The ideas under discussion in Whitehall put strain on the traditional role of the Health Department as a customer to, and guardian of, the UK pharmaceutical industry. There are likely to be considerable changes for all the groups involved, which include drugmakers and wholesalers, pharmacists and doctors, as well as the sick people who use medicines.

Especially affected may be makers of generic drugs, which are cheap copies of branded formulations made when the patents on these products run out. Sales of generic drugs have been growing in recent years and are thought to account for 10 to 20 per cent of the total NHS drugs bill.

The opportunities for generics manufacturers, which today are launching their own trade association to give themselves a separate identity from the branded pharmaceuticals sector, are likely to grow due to the Government's desire to set limits on the NHS drug spending.

The opening shots in these efforts were fired by Mr Kenneth Clarke, the Health Secretary, in his health care policy document two weeks ago. This discussed a variety of measures to persuade doctors to prescribe more of the cheaper generic drugs.

In recent years, the generics industry – which mainly comprises small companies – has sometimes been at odds with Britain's much bigger branded pharmaceuticals sector. This business, with annual sales of about £4bn and a strong exports record, encompasses UK-owned companies such as Glaxo and Imperial Chemical Industries, as well as UK subsidiaries of foreign groups.

The mainstream industry has complained in the past about the activities of some generics companies. This is on the grounds that the smaller groups eat into their sales and reduce the revenues they need to compensate for their high spending on research and development (R&D).

The policy document outlines ways to limit rises in Britain's pharmaceutical spending, which has grown steeply in recent years and accounts for about 10 per cent of the total NHS budget, by imposing restraints on the capability of doctors to prescribe high-cost medicines.

From 1991, Britain's 30,000 general practitioners will be given drug budgets. Mr Clarke hopes this will make physicians less likely to prescribe expensive medicines, especially where cheap generic substitutes are available.

Not surprisingly, generics manufacturers are delighted. Mr Charles Savage, managing director of Thomas Kerfoot, a leading generics producer, said he saw the policy document as "a great opportunity."

The British Generics Manufacturers' Association, the body being launched today, is similarly bullish. Mr Brian Smith, the association's director, said he thought the various government measures being implemented would lead to generic drugs accounting for 30 per cent of the NHS drugs bill within two years.

The impact the association will have is difficult to judge. The body is refusing to say until today which companies will be joining. But Thomas Kerfoot and Arthur Cox – a UK generics producer owned by Hoechst, the German chemicals group – have said they will not be members. They say their interests are better served by the Association of the British Pharmaceutical Industry, which is mainly linked to representing the mainstream branded goods sector.

The branded medicines companies are being cautious about the effects of the government moves. There is some concern about the way in which generics producers could make further inroads into their UK sales. These effects – at least for large international companies such as Glaxo and ICI – will, however, be minimised by the fairly small share of UK sales in total turnover figures.

A greater worry for many branded drugs companies is that the new measures threaten to disturb the traditional close relationships between the pharmaceutical industry and doctors.

The ideas outlined in the policy document – by pushing doctors towards prescribing drugs on the grounds of price rather than on a physician's perception of product quality – drives a wedge between the two sides in the relationship.

At the back of all the discussions is the question of 1992 and the opportunity for Britain to import more drugs from EC countries with lower pharmaceutical prices. Such nations would include France, Italy, Belgium, Greece, Portugal and Spain. At present only 5 to 10 per cent of the NHS drugs bill is accounted for by imports.

At present drug prices between different EC countries vary widely. The differentials may change over the next few years as a result of moves by the European Commission to unify pricing arrangements and the ways in which licensing authorities vet new medicines for safety.

No one, however, is predicting the differentials will disappear – in which case there will be a good economic case for stepping up UK drug imports. The cost-cutting effects of this would tie in with the Mr Clarke's ideas to impose limits on drugs spending.

There is a difficulty, however, in that these ideas might conflict with another aim of Mr Clarke's department, which is linked with UK industry strategy. The Health Department has the job of sponsoring the UK drugs industry generally.

That means Mr Clarke's department must act both as a buyer from the drugs business and also look after its long-term industrial interests, a position which frequently places it in a tangle.

The point is driven home by the complaint from the branded drugs sector that a policy of importing cheap medications could destroy the base of the UK industry and make companies less keen to invest in UK-based R&D.

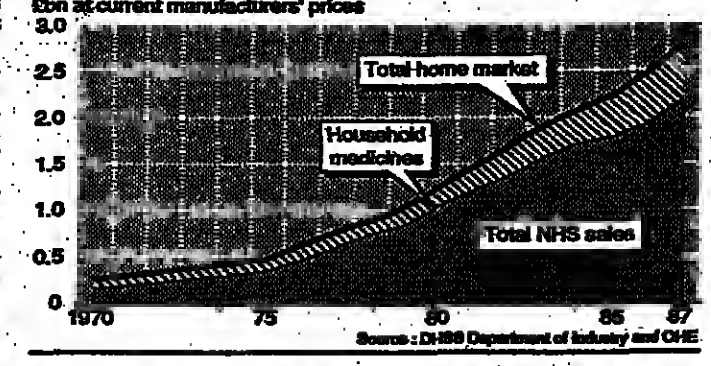
This is a sentiment for which there is some sympathy in the Health Department where some officials are not enthusiastic about "doing a Canada." That is a reference to the decision by the Canadian Government some years ago to rely for pharmaceutical supplies on cheap imports. This was followed by the steep decline of Canada's research-based healthcare industry.

Overriding all these issues is the fact that the Health Department does not buy drugs directly. That job is done by Britain's 11,000 pharmacists who purchase medicines from several dozen specialist wholesalers and then have the cost reimbursed by Whitehall.

The final players in the delicate network of interests are, of course, the patients. One of the basic tenets of Mr Clarke's ideas is that these people would be encouraged to ask more questions about their treatment and the cost. If that happens, it could only help Mr Clarke's revolution to roll on its way.

UK pharmaceutical market

£bn at current manufacturers' prices



Source: DHSS Department of Industry and OHE


I
LEAD-FREE
BARCLAYS BANK PLC · BP · ESSO · FORD OF BRITAIN · GEC · MIDLAND BANK PLC · NATWEST · NISSAN UK · P&O · ROVER · SHELL UK · VAUXHALL MOTORS
UNLEADED
LET'S GET BRITAIN LEAD-FREE
More and more people are switching to unleaded petrol because they believe it is better for their children and the environment - and it costs less. To find out just how easy it is for most cars to use unleaded as well as leaded petrol, contact your local dealer.
The Motability Lead-Free Campaign
Motability has launched a nationwide campaign, with government and all-party support and backed by major British companies, to help make Britain lead-free. The campaign will accelerate the progress already made by government, independent bodies, commerce and industry.
Motability itself was formed in 1978 on the initiative of the government of the day with all-party support and backed in particular by car manufacturers and clearing banks, to provide cars for disabled people. This is now one of the largest car fleets in Europe.

The banks fight off their critics

Recently introduced additional services have produced little in the way of thanks from customers. **Charles Batchelor** reports

Spare a thought and possibly a kind word for your bank manager. He has been having a rough time of late. For all the ingenuity of their marketing men and the creativity of their advertising teams, Britain's bankers seem unable to please their smaller business clients.

The past six months have seen a stream of critical reports on the way banks handle the growing businessman. According to one survey, unless the British banks mend their ways there is a good chance that their Continental rivals, which do seem to understand their clients, will walk off with the business as Europe moves towards 1992.

Criticism of the banks has come from:

- The Forum of Private Business, a small business lobby group. It has produced two reports criticising the banks for providing a poor service, charging too much and failing to compete.
- What to Buy for Business. This magazine compared the banks in terms of efficiency, helpfulness, understanding of their clients' business and bank charges. The report concluded that the banks had "confused the provision of a service with the provision of a favour."
- Backbench Conservative MPs. They produced a report, Small Businesses and the Rebirth of Enterprise in Britain, which said banks needed to improve the level of service to businesses with turnover of less than £100,000.

Why do the banks make such a bad impression on their small and medium-sized business clients? Are they as bad as they appear or are the customers being unreasonable?

Over the past year or so the banks have been making efforts to improve their service to the smaller business client. They have leap-frogged each other with offers of free banking, advantageous loan packages and voluminous information packs.

More important, they have been reorganising the structure of their branches to take account of mid-size and smaller corporate clients. Lloyds will this week launch a £35m programme to create small business centres in 500 of its 2,000 branches. Barclays already has nearly 330 centres in its 2,700 outlets while National Westminster has a small business "adviser" in every one of its 3,000 branches.

Impressive though these changes appear it has taken the banks a decade and a half since the publication of the Bolton Committee Report on small business to make significant changes in the way they serve the smaller firm. For many years the banks paid only "lip service" to the Bolton recommendations, says one former manager.

Justifiable concern

The problem with Britain's banks lies in the emphasis they have historically placed on deposit protection, claims Martin Binks, the Nottingham University researcher responsible for the Forum reports. This justifiable concern for their depositors contrasts with the attitude of banks on the Continent and in Japan, which see themselves more actively as intermediaries between private sector sources of finance and the business sector.

This overriding concern for depositors has encouraged the British banks to base their lending on the amount of capital already in the business while overseas banks relate lending to present and future income. The overseas banks, in short, are more ready to take into account their client's prospects, says Binks.

The British banks' response to this barrage of criticism is to point to their own internal surveys which, they say, show high levels of customer satisfaction. Lloyds' research shows that 80 per cent of small business customers are happy, says Roger Bardell, in charge of small business. This compares with the Forum's finding that 39 per cent of members who took part in the poll expressed concern at at least one aspect of their bank's performance.

"We have something like 1m small business customers and I would be surprised if every one was over the moon with us but I could produce a pile of complimentary letters," says Andy Hunter, senior marketing manager in NatWest's small business service.

He points to NatWest's own research which showed that most customers were unable to say what their bank charges had been. The bank took this to mean that the sums involved had not registered as a significant item of expenditure.

Hunter criticised the Forum for asking questions of its members which were calculated to produce a negative response. "If you ask people to name their chief concern they will come up with something," he says.

If small firms are so critical of their banks why do they make such extensive use of bank funds to run and expand their businesses, the bankers ask. The banks currently have about £25bn-£30bn outstanding to small firms and account for 90 per cent of all small firms lending.

The answer may be, of course, that small business has no alternative but to use a bank for funding. But there is no doubt that the scale of the banks' presence exposes them to criticism. Only a small percentage of customers has to feel hard done-by to produce a sizeable complaints dossier.

Part of the problem may be the amount of advertising which the banks direct at the smaller firm. NatWest is currently running a TV campaign on the theme of snakes and ladders to advertise the fact it now has a small business adviser in each branch.

Hunter denies such advertising awakens unreal expectations in small business clients. The bank trained its managers, produced supporting literature and ran the scheme on a pilot basis before launching the ads, he says.

Bardell says Lloyds reckons to spend only £4 on advertising for every new small business customer it gains; the small print always points out that loans are at the discretion of the bank manager.

The scale of customer complaints may result from increasing pressures on bank managers, says Colin Moor, a former banker turned financial consultant.

The busy manager trying to sell dozens of "products" to several thousand account holders no longer has the time to review whether individual customers are getting a fair deal, he says.

Moor, co-founder of Taurus Financial Services, now specialises in getting a better deal from bank managers for his clients. Banks sometimes make straightforward errors, like charging one client 15 instead of three points over base for his money, he says.

But there are often occasions when they calculate their charges on an inappropriate basis, which means the customer runs up large bills. One bank which calculated its charges to a particular customer as a percentage of his turnover ended up charging him £8 for each account entry. And a medium-sized solicitors' practice saved £50,000 on its bank charges after querying the way the bank did its calculations, says Moor.

Another frequent complaint, that bank managers are too cautious about lending to small companies, results from the tight guidelines under which they operate. "The bank doesn't seem to recognise that you will lose money on some loans," says one former manager. "Any fool can lend £5m but not everyone can lend £50,000 and turn it into a winner."

The banks, however, dispute these charges. Bardell says Lloyds judges its managers on their overall performance, setting the winners against the losers. Barclays spends a lot of time and money on training its managers to respond to the needs of the customer rather than simply selling products, says Richard Cracknell, senior manager of its small business group.

Of course not all small business people make ideal customers. A recent study showed that the most successful businessmen were also the most likely to be dissatisfied with their financial advisers. The entrepreneur is almost by definition a difficult person to get on with.

There is no doubt that the banks have been making great efforts to improve the quality of service that they provide to their small business clients. Customers' perceptions of what the banks are doing lag behind the reality, claims Stuart White, manager of Midland's small business unit. The benefits of the specialist managers and new systems they are introducing may yet filter through and change the picture.

In the meantime, though, even if the surveys exaggerate the amount of dissatisfaction, sufficient numbers of business customers are unhappy enough to dent the bankers' carefully polished image.

Legal advice

Knotty personnel problems

Charles Batchelor on the popularity of a helpline

One in three small businesses needs legal advice at some time each year; employment and industrial relations issues are the most common cause of concern. These are the conclusions of a survey made by the 50,000-member National Federation of Self Employed and Small Businesses (NFSE)* of enquiries to its legal advisory service.

Members made a total of 13,743 calls to the 24-hour help line in 1988, of which 25 per cent related to employment issues. Disputes in this area can generate considerable emotion and distress and the loss of a key employee or a work stoppage can have a catastrophic impact on the smaller business, the federation says.

Increased awareness among consumers of their rights made consumer and contract issues the second most common reason for members seeking advice and accounted for 21 per cent of all enquiries.

Property matters accounted for a further 11 per cent of enquiries followed by litigation issues (8 per cent), tax (6 per cent) and motoring and personal injury questions (5 per cent).

While most enquiries were resolved by the provision of advice, 359 led to claims against the federation's legal expenses insurance. The most common causes of claim were Inland Revenue investigations. Members disputed 149 revenue claims and reduced their tax bills by £691,000.

In a further 41 cases members fought VAT assessments and reduced their VAT bills by £84,000, the federation said. In many cases small firms accept their tax and VAT assessments because they are frightened to challenge them, according to David Dexter, chairman of the federation sub-committee handling members' interests.

Twenty four-hour legal advice lines are now provided by a variety of organisations including small business groups, insurance brokers and industrial relations consultants. The federation's advice service comes automatically with membership, which costs from £24 to £100 a year depending on the size of the business.

*NFSE, 140 Lower Marsh, Westminster Bridge, London SE1 7AE. Tel 01-928 9272.

In brief...

■ The Export Award for Smaller Businesses reaches its 20th year this year. The competition is open to independent British firms with no more than 200 people on their payrolls which can show a sustained increase in export earnings in their most recent two financial years. These earnings must have exceeded £100,000 during the second year.

Prizes worth more than a total of more than £35,000 will be awarded in the form of business air travel vouchers, consultancy fees or spending on investigating further exports. Contact DTI regional offices, Thomas Cook travel shops, Midland Bank branches, or Small Firms Information Centres.

Closing date for entries is March 14 1989.

■ The Co-operative Development Agency, founded in 1978 to promote and represent the co-op movement, is to be wound up in 1991 under plans announced by John Cope, small firms minister.

The government remains committed to co-operatives but the growth of a network of local co-operative development agencies and other small firms advice networks means there is no further need for a central agency, Cope said.

The CDA had hoped to expand its role to take in the promotion of Employee Share Ownership Plans but the government said it saw no need for a special organisation to do this.

The government has said that it will consult formally about the CDA's future but the agency appears to accept that it will disappear in 1991. Despite a budget of only £200,000 a-year, supplemented by outside funding, it has backed new ventures such as marketing co-operatives and an ambitious programme to develop co-ops in Middlesbrough.

■ The Aberdeen Enterprise Trust believes it has found a way of reaching entrepreneurs or would-be entrepreneurs in the remoter parts of the country with the launch of what it claims is Britain's first mobile enterprise agency.

The trust has won sponsorship from Shell UK, British Telecom and IBM for a travelling office complete with computer equipment to reach the 35 per cent of its clients who come from outside the Aberdeen area.

It plans fortnightly visits to seven towns in the north-east of Scotland — Peterhead, Banff, Inverurie, Ellon, Turriff, Huntly, Ballater and Stonehaven.

Contact the mobile unit on 0224 210310.

■ Small businesses are frequently very innovative but lack the funds to bring their ideas to market. National Westminster Bank and British Petroleum have launched an Awards for Technology scheme to help start-ups or existing businesses with turnover of less than £50,000 to put their innovative ideas into practice.

The scheme has a total of £50,000 available and will make individual awards of up to £2,000 to help with the development of good ideas. In addition, several London livery companies will award £5,000 for the most outstanding design or innovation chosen by the judges.

Application forms available from enterprise agencies, Small Firms Centres or from NatWest, tel 01-374 3643.

■ The European Community is prepared to help organisations providing innovation support services to establish international links. TII, the European Association for the Transfer of Technologies, Innovation and Industrial Information, will help finance travel and accommodation expenses for innovation specialists visiting partner organisations for between one week and three months.

The professional exchange scheme forms part of the EC's SPRINT programme which sets out to create European networks of technology transfer and innovation advice organisations.

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FT LAW REPORTS

No set-off on freight

THE DOMINIQUE

House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Oliver of Aylmerton, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): February 9 1989

A SHIPOWNER'S accrued right to advance freight under a voyage charterparty survives his repudiation and the consequent termination of the charter; and the charterers cannot set off their repudiation claim against that right, irrespective of whether it remains with the shipowner or has passed to an assignee.

The House of Lords so held when allowing an appeal by the Bank of Boston Connecticut (Formerly Colonial Bank), from a Court of Appeal decision *[1988] 1 FTLR 329* that charterers European Grain and Shipping Ltd could set off a claim for repudiation of contract against the bank's claim for freight assigned to it by owners of the Dominique.

LORD BRANDON said that on April 14 1982 the owners of Dominique assigned all her earnings, including freight, to the bank.

On June 16 1982 the owners chartered Dominique to the charterers, to proceed to Kakinada in India, and to load a cargo for carriage to European ports.

Bills of lading were signed and on June 14 Dominique left Kakinada for Colombo, for bunkers.

She arrived on June 19 and was arrested by previous suppliers of bunkers.

The owners had no funds to procure her release.

On July 22 the charterers justifiably elected to treat the owners' conduct as a repudiation of the charterparty. By July 26 all the bills of lading had been surrendered.

On August 12 the charterers obtained leave from the Colombo court to discharge the cargo.

It was discharged and transhipped to another vessel and on-carried to European ports. The Dominique was later sold by order of the court.

The cost to the charterers of discharging, trans-shipping, and on-carrying, exceeded the amount of advance freight claimed from them by the bank.

The charterparty was on the Gencon form with additional typed clauses. Clause 16 of the additional typed clauses provided "freight shall be prepaid within five days of signing and surrender of final bills of lading, full freight deemed to be earned on signing bills of lading, discountless and non-returnable . . ."

The charterers disputed their liability to pay the advance freight claimed by the bank on the ground *inter alia* that they were entitled to set off their repudiation claim against the owners' freight claim.

Arbitrators decided in favour of the charterers. Mr Justice Hobhouse allowed an appeal by the bank. The Court of Appeal allowed an appeal by the charterers. The bank now appealed from the Court of Appeal decision.

Having regard to the sequence of events and the true construction of clause 16, which provided that full freight was deemed to earned on signing bills of lading, the owners' right to freight accrued before termination of the charterparty.

The right to freight having been unconditionally acquired before termination, it survived termination (see *McDonald v Dennys Lascelles (1933) 48 CLR 457, 476*).

The question was whether the charterers, if the right to freight had not been assigned, would have been entitled to set it off against the damage suffered by them from the repudiation.

It was a long-established rule of English law that a cargo-owner was not entitled to set up damage arising from the shipowner's breach of contract as a defence to a claim for freight. He must enforce any right by cross-claim.

The continued existence of the rule was affirmed by the Court of Appeal in *the Brede [1974] QB 233*, which was unanimously approved by the House of Lords in *the Aries [1977] 1 WLR 185*.

It followed that the rule, which was called the "rule against deduction," was not open to challenge.

In all cases in which the rule had been applied, including *the Aries*, the breaches of contract relied on as defences to freight claims had been non-repudiatory breaches resulting in partial loss of or damage to cargo, or delay in delivery.

The present case therefore raised for the first time the question whether a claim for repudiatory breach of a voyage charter could be set off against a claim for freight.

The charterers contended that while they could not set up their damage as a defence at Common Law, they were entitled to set it up as a defence by way of equitable set-off.

The speeches of Lord Wilberforce and Lord Simon in *the Aries (191,193)* made it clear that when an owner's breach was non-repudiatory, such as partial loss of or damage to cargo, it did not give rise to sufficient equity in favour of charterers to override the established rule against deduction.

There were good reasons for holding that repudiatory breach was no more capable of giving rise to a defence of equitable set-off than was a non-repudiatory breach.

First, a repudiatory breach by an owner did not necessarily cause more damage to a charterer than a non-repudiatory breach. It might cause less.

There was therefore no justification based on quantum of damage for applying the rule against deduction to the latter breach and not the former.

Second, application of the rule against deduction only worked to the ultimate disadvantage of a charterer when the owner's financial situation made it impossible for a counterclaim to be enforced against him. That risk existed whether the breach was repudiatory or non-repudiatory.

The third reason lay in the manner in which the legislation had treated the premature termination of a voyage charterparty by frustration.

At Common Law frustration of a contract did not cause it to be rescinded *ab initio*. The effect was to release both parties from further preformance while leaving intact rights already acquired under the contract.

The law was radically altered by the Law Reform (Frustrated Contracts) Act 1943 which got rid of the Common Law principle that losses and gains lay where they fell, and substituted a code for re-adjustment of parties' rights.

The significance of the Act for present purposes was that certain specified contracts were excluded from its application, including "any charterparty . . ." and "any contract . . . for the carriage of goods by sea."

The legislature must have had a reason for that exclusion. The only reason it could have had was an unwillingness to create a situation in which advance freight already dns could be recovered after frustration, or cease to be payable.

The attitude of the legislature made it difficult to say that when a voyage charterparty or other contract for carriage of goods by sea was prematurely terminated by the owner's repudiation, the indefeasibility of an accrued right to advance freight should not be preserved.

For those reasons, if the owners had not assigned their right to freight to the bank, the charterers would not have been entitled to set off the repudiation damages.

The charterers were no more entitled to rely on their counterclaim as a defence by way of equitable set-off against the bank than they would have been, but for the assignment, against the owners.

The appeal was allowed.

Lord Keith, Lord Oliver, Lord Goff and Lord Jauncey agreed.

For the bank: Bernard Eder QC and Simon Berry (Holman Fenwick & Willan.
For the charterers: Martin Moore-Bick QC and Timothy Young (Wilde Sapte).

Rachel Davies
Barrister

TECHNOLOGY

THE efficiency of the UK book publishing trade is being examined chapter and verse. Yesterday, Terry Maher, founder and chairman of Pentos, which owns 44 Dillons shops, complained in his submission to the Office of Fair Trading that publishers were abusing their monopoly by failing to provide an adequate service either to retailers or the public.

One of Maher's main complaints is that UK publishers are inefficient at distributing books. As a result, retailers are forced to carry excess stock which reduces the return on their working capital.

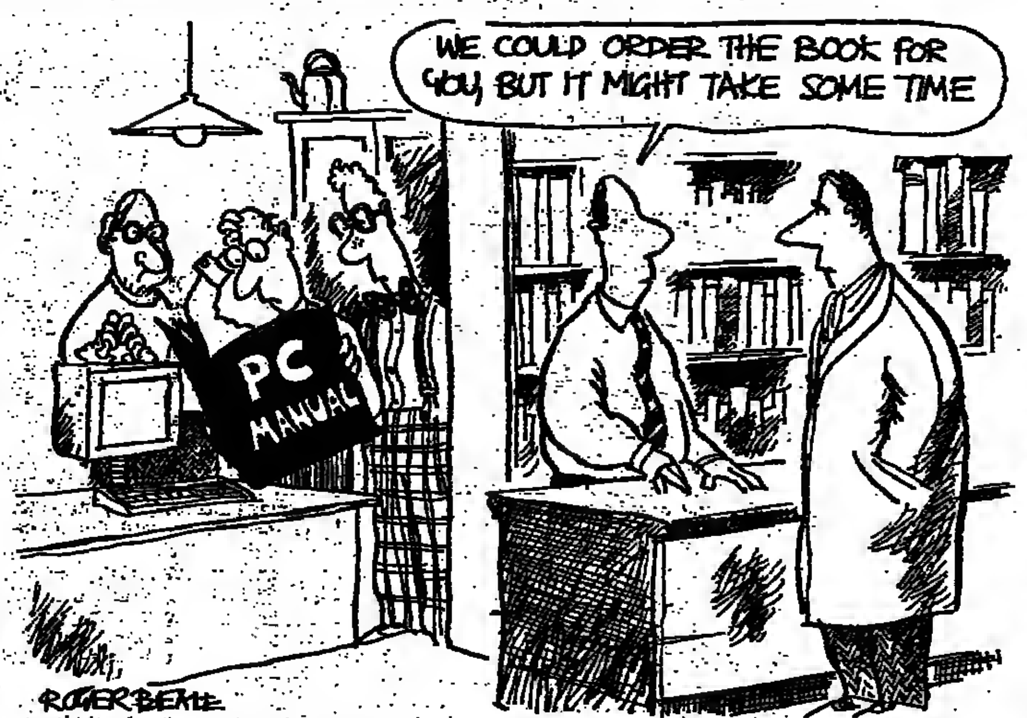
Maher argues that UK publishers have failed to keep pace with the technological revolution that is overtaking the book-selling trade. He points out that bookshop chains, such as Waterstone's and Dillons, are investing in information technology (IT) to improve efficiency, but publishers are not meeting their new demands.

However, the booksellers' interest in IT is itself a recent phenomenon. Their introduction of such equipment as electronic point of sale (Epos) terminals, which automatically capture sales information, has been slow compared with other retail sectors.

One of the reasons for this tardiness, according to Terry Connor, newspaper and publishing analyst at James Capel in London, has been the fragmented nature of book retailing. Even now, chains (W H Smith is the largest) have only 38 per cent of the UK market. Connor points out that most of the small retailers do not have sufficient turnover to justify the cost of installing systems such as Epos.

Now that the technology does exist, however, the bookshop chains are investing in both Epos and a computerised system of ordering books. The UK Booksellers' Association believes that 33 per cent of its affiliates' 3,400 shops are linked to a computerised system called Teleordering. This is run by a company of the same name jointly owned by Thorn EMI, W H Smith and the publisher J Whitaker and Sons. It handles about 50,000 order lines a night, estimated at about 40 per cent of UK turnover.

Each retailer has an IBM-compatible personal computer (PC) linked by a modem to a mainframe in Sunbury-on-Thames. In most shops, orders are keyed in by the retailer and then transmitted during the night to the mainframe.



The word is that IT's a revolution

The UK book trade is jumping on the electronic bandwagon. Paul Abrahams reports

This matches up the required titles with a database of publishers' addresses and sends the order to the relevant companies for processing the next morning.

An alternative system of entering information, using CD-Rom, is also available. This takes details about the required title from a CD-Rom called Bookbank — an electronic version of the annual tome, Books in Print, supplied by J Whitaker and Sons — and automatically creates the order. Bookbank is updated every month with, on average, 7,000 new titles and 50,000 price changes.

A third method of entering information is to link Epos terminals to the Teleordering system. As each item is sold, details from the barcode are read by a light-wand attached to the PC. Data captured in this way can be used to show stock levels, what is on order and the history of sales over the previous year. The Epos system can also be used for much more intelligent ordering and has been adopted by organisations such as W H Smith, Dillons and Waterstone's.

"The great advantage of these systems is that it allows retailers to reduce their stock," says Martin Evans, managing director of distribution at Macmillan, the UK-based family-owned publishing company. "Over the last year we have seen the major retailers destock dramatically because the technology has allowed them to deal with the increasing costs of space and labour."

There are serious implications of this retailing revolution for book publishers, says Evans. And not all of them are beneficial. Publishers have, for example, found that since the introduction of Teleordering, booksellers have increased the number of orders but reduced their size. This makes them more expensive to process.

Nevertheless, the new technology does offer publishers considerable opportunities. For instance, the data provided by Teleordering enable publishers to analyse market trends.

"Previously, publishers only knew what was going out of the warehouses," says Simon Wratten, sales director at Oxford University Press. "They were dependent upon their representatives to tell them what was actually selling — a method which was seldom accurate or up to date."

Wratten explains that because Teleordering offers publishers the means of spotting trends more quickly, they can become more flexible, reducing both the size of print runs and the quantity of stock held in a warehouse.

"The most important thing about the technology is that it can make the publisher's working capital perform more effectively. And that's particularly important if margins are under pressure," says Wratten.

Nevertheless, although some publishers have had systems installed, many are not making full use of them, says Terry Maher at Pentos. "The whole area of service and delivery of books has been a low priority for publishers. We have found that on average they deliver in 20 days. They ought to be able to deliver orders within 48 hours. That's what occurs in the record industry which has 80,000 different products a year.

"If publishers did deliver more quickly, we could satisfy the customer wanting a specific book 60 per cent of the time instead of the current 40 per cent. That would increase turnover and benefit everyone," he says.

The Publishers Association, however, defends its members by saying that standard delivery times are better than in most retail industries. It takes seven days for good warehouse and freight systems to deliver orders, it says. Some publishers, such as Pan, can achieve deliveries the following morning in the London area.

But analysts, such as Erik de Bellaigue at CIBC Securities in London, believe that the distribution systems of book publishers lag behind those of other retail suppliers and of their counterparts in other countries. He says that networks in the Netherlands and West Germany are far more efficient than those in the UK.

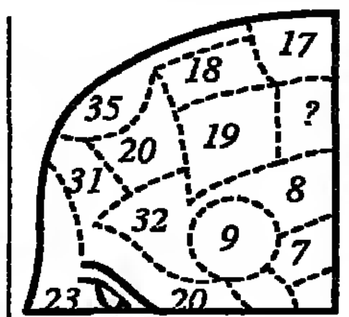
Whatever the truth is about the efficiency of UK publishers, it is certain that they will make increasing use of information technology systems.

Moreover, that trend could be accelerated if the Office of Fair Trading's report leads to the abolition of the Net Book Agreement (NBA), which allows publishers to set a minimum resale (net) price for their books.

Terry Connor at James Capel believes that if the NBA is broken, there will be a change of emphasis among the more powerful retailers towards high-volume, low-margin paperbacks.

"In the short term, the effect could be quite traumatic. The publishers will have to offer these retail chains increasingly large discounts and that will mean they will have to take cost out of the product to maintain their margins," explains Connor. "One of the most effective ways of doing that would be more efficient warehousing and distribution."

Bradley at the Publishers' Association questions whether increased efficiency would be worth the other consequences of ending retail price maintenance. "The abolition of the NBA would reduce the amount of stockholding by bookshops. Some of the chains — not just small shops — would have difficulty remaining viable. Any improved efficiency that might be achieved just wouldn't be worth it."



WORTH WATCHING

Edited by Geoffrey Charlish

Viper makes signalling safer

THE AUSTRALIAN National Railways Commission is to use British chip technology in its latest railway signalling project, writes Della Bradshaw.

The microprocessor, known as Viper, was chosen because it always acts in a predictable way, which makes it particularly safe to use.

This is the first order for Viper (verifiable integrated processor for enhanced reliability), which was developed by the UK Ministry of Defence at the Royal Signals and Radar Establishment (RSRE) in Malvern.

It is now manufactured by two UK companies, Marconi Electronic Devices (Medl), which makes both Cmos and silicon-on-sapphire versions of Viper, and Plessey Semiconductors.

Plessey, which inherited the Viper project when it acquired the semiconductor arm of Ferranti, uses bi-polar technology to make its processor, but will shortly be making Cmos versions as well.

The Viper 32-bit microprocessor has been trained to give a predictable response to all the instructions that could forseeably be fed into it.

If it receives an instruction it does not understand, it always stops, making systems such as railway signalling fail-safe. If a standard microprocessor is fed corrupt information, it may act in an unpredictable way, which could be dangerous in this sort of application.

The chip is being supplied by Charter Technologies, of Worcester, which has worked closely with the RSRE on software and support for the processor.

In Australia, Teknis Systems, a railway signalling company, is the contractor on the Aus$ 20m (£10m) order to install new sets of signals on sections of track for the Trans Australian Railway and the Central Australian Railways.

Current way to count money

ORGANISATIONS faced with sorting and counting large numbers of coins will be interested in a machine from CASE-ICC in the UK.

Known as Titan 2408, the system has the ability to learn about the coins fed into it and can be switched from one kind of currency to another.

Each coin is identified by placing it in a specific alternating magnetic field to induce electric eddy currents. These currents, which are unique to each type of metal, flow in paths round the metal and are dissipated as heat.

By measuring the decay rate of these currents when the field is removed, Titan 2408 can detect the precise metallic composition and throw out coins or discs for which it is not programmed.

Microprocessor control enables the machine to be taught in seconds to recognise and deal with coins of any denomination from any country. Coins are validated at the rate of 10 a second.

Sorted and counted coins can be put in batches of any size and discharged into coin bags. Information recorded during operation can be automatically processed to give printed analyses and the data can be fed into a computer for further work.

Video screens pop up in-flight

INTERNATIONAL Media Communications (IMC), of London, has launched an in-flight video entertainment system that provides a "pop up" four-inch liquid crystal colour screen at each passenger seat. The screen is mounted on a column which brings it to eye level.

An individual Kodak 8 mm video cassette player feeds each screen. Picture quality on the Toshiba one-inch-thick flat screen is claimed to be as good as domestic television. The system was designed by Curtis and Green of Uxbridge.

Fieldtech, an avionics company based at Heathrow, is marketing and servicing the system. It has already installed Skyview in the first-class cabin of two British Airways Boeing 747 aircraft.

The advantage from the passenger's point of view is the choice of viewing since some 50 titles are carried on the aircraft. If the screen is not being used, it can be folded away between the seats. The player is operated in the same way as a home video machine.

IMC specialises in product innovation in the consumer electronics field. It recently launched a digital system called Plugaround Sound for the distribution of quality stereo over mains wiring. The system cuts out expensive audio cabling, and its signals are carried unimpaired and quite separately from the power currents.

The company is in the final stages of developing a similar system for carrying video, called Metrovision, which is expected to be launched next month.

Repair gear takes to the field

BRITISH Aerospace, in Stevenage, and Schlumberger Technologies of Farndown, Dorset in the UK, are offering a transportable test and repair facility for electronic equipment.

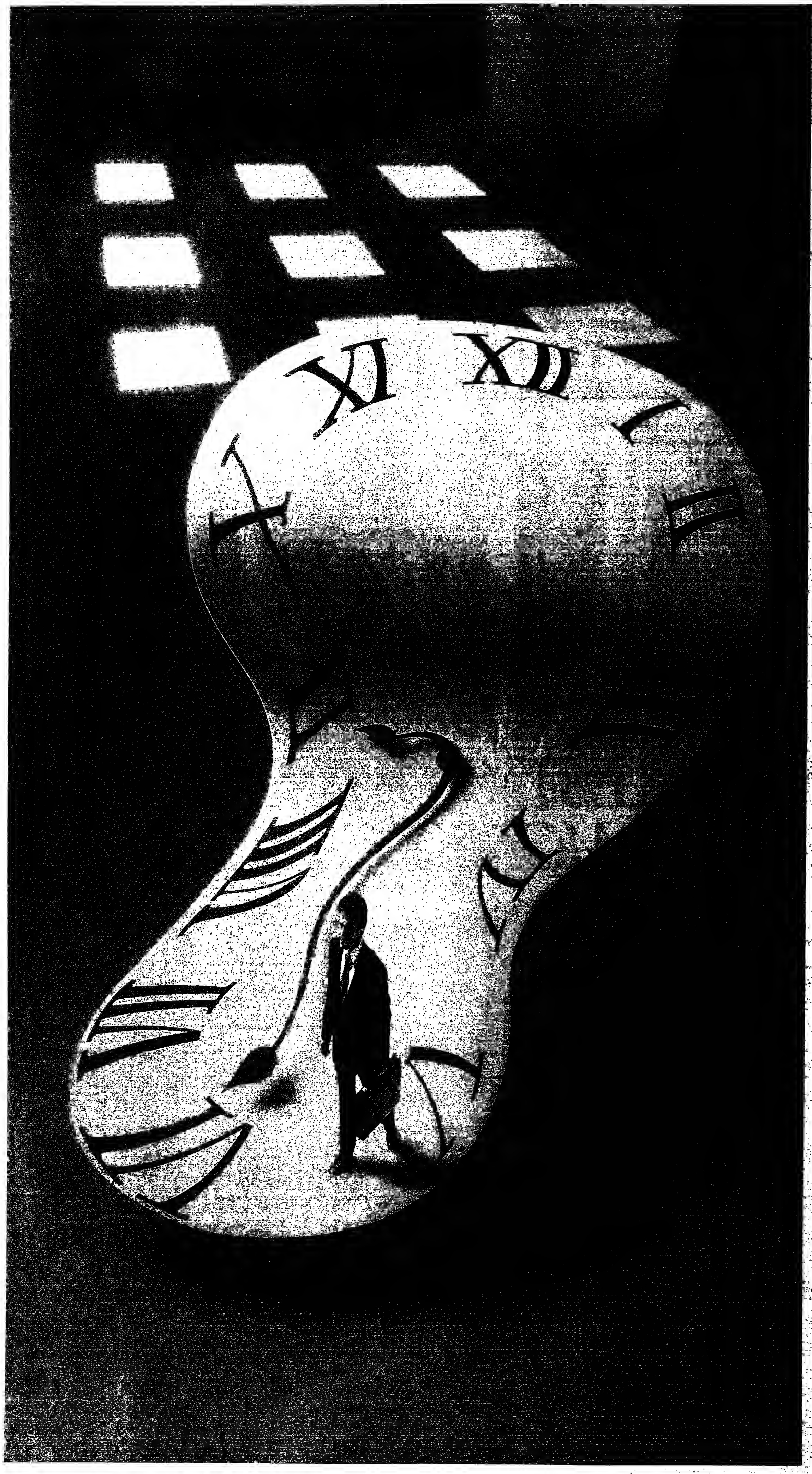
Comprising high-speed automatic test equipment (ATE) with integrated repair stations, it can be carried in an articulated trailer or standard container.

Called Fred (field repair of electronic devices), the facility could prove useful to organisations such as the military which have to deal with equipment failures in remote places and quickly restore the piece to service.

By combining the auto-test and repair operations, significant cost savings are possible, says Schlumberger. Usually, the printed boards involved have to go to separate test and repair locations which may be a long way from the point of use.

Fred can be moved to the trouble spot by road, rail, air or sea. And doing repairs in situ removes the danger of the boards being damaged in transit.

CONTACTS: IMC: London, 629 6006. Case-ICC: UK, 0727 58203. Charter Technologies: UK, 0905 611512. Schlumberger: UK, 0202 893535.



ARTS

All Romantic at heart

William Packer reviews the exhibition at the Barbican

To take the reverse or inverted view of anything may seem mere perversity, but there is always a freshness in that view. In just such a spirit The Barbican Art Gallery continues its studies in the progress of British Art with *The Last Romantics*, subtitled *The Romantic Tradition in British Art: Burne-Jones to Stanley Spencer* (until April 9). This follows the excellent *A Paradise Lost* of two years ago, which examined Neo-Romanticism in Britain in the 20 years after 1935, and no doubt we may now look forward to substantial essays in the Pre-Raphaelite, the Romantic, even the Gothic imaginations, and each one them the last Romanticism of all.

But behind the banter there lies the more serious point, for this exercise performs a real service in the deeper understanding of the nature and development of our national school. The satisfaction of curiosity, the rehabilitation of significant but neglected artists, and a generous indulgence of minor talent, are only part of the story. More important is that the old, received opinions of modern criticism, that derive from Roger Fry and his peers and followers in Hampstead and Bloomsbury, are being insidiously undermined.

"The genius of our greatest painters," wrote the critic, Herbert Read, champion of Henry, Ben and Barabara, "was always romantic," but he was hardly thinking of the likes of Burne-Jones, Gotch or Waterhouse. He and Fry and company assumed the triumph of modernism as they interpreted it, with School of Paris at its head. But as the formal and once convincing façade of their criticism grows ever more battered and insecure, so is uncovered a structure no less contemporaneous, but infinitely more ramified and uncertain.

The academic sculpture of the later 19th and early 20th centuries, against which the young Henry Moore reacted so vehemently, has lately and rightly been fully reconsidered, though there is little of it here. Now it is the turn of the painters and illustrators, which makes for a show that is astonishingly variable, in quality as in kind, full of improbables and images and with a more than generous helping of what a friend of mine would call real beezers. It is, after all, entirely possible to deserve one's obscurity.

Of course there are conspicuous omissions — no Brangwyn, for example, no late Millais, Watts, Leighton, Conder, Albert Moore — and, if anything, the sheer scope and variety of the choice only makes them more obvious and arbitrary. To give as an epigraph, Yeats's "We were the last romantics — chose for theme/ Traditional sanctity and loveliness," is little help. There would seem to be a clear impossibility now of any close definition of Romanticism, whether last or first, yet the show's very title invites the expectation. If the term is now to be a mere catch-all, to mean "just what I choose it to mean, — neither more nor less," it might have been better to have the confidence of Humpty Dumpty to say so.

The particular fascination of *The Last Romantics* lies in the growing realisation it stimulates, of just how central this various and eccentric body of work is in supporting the whole edifice of modern British Art. Suppressed it may have been by long critical prejudice, but even into the 1960s successive generations of art students were taught and examined in its disciplines of figure composition, and the technical competences of drawing, observation, perspective and pictorial organisation that they required.

With its essentially literary or narrative preoccupations, set upon themes secular or biblical, ancient or modern, this tradition set the pattern of public and decorative art that is still with us in fact, if not in practice, in our libraries, schools, town halls and galleries. Only the supposed reforms in art education of the 1960s make its continuance unlikely. It does remain lively in the field of fine illustration, but even there, as the show demonstrates, the great age has passed, of Dulac and Rackham, Morris and Beardsley, Margaret Macdonald and Walter Crane.

The disappointment is only that the later development of this tradition is not pursued more fully. The hints are there, in the extraordinary student work of Stanley Spencer and of Bomberg before 1914, and the work of other Sladeites such as Augustus John, McEvoy, Gertler, Orpen and the young Paul Nash. The Slade connection with the British School in Rome through the 1920s is also shown by the splendid large panels and mural schemes of Colin Gill, Winifred Knights and Thomas Monnington.

So far so good, but then not to follow Spencer through to his later religious tableaux is a serious lapse, and how good it would have been to pick up on so much of the work of the official war artists of both World Wars — Laura Knight, Evelyn Dunbar, Paul Nash again and his brother John, Edward Ardizzone and Edward Bawden. The names come to mind readily enough. After the War came the Festival of Britain, and so it could go on, to Leonard Rosoman, Robert Medley, Carel Weight, all still at work. Perhaps the curatorial nerve failed a little at more of the neo-Romanticism, but with such a density of minor material already here, delicious enough but ripe for pruning, one cannot but wish it might have held.

But the treats hold the balance nevertheless, from the small figure studies of Shannon and the etchings of Strang, to the large paintings of Waterhouse, who emerges as a major figure, and Byam Shaw, Spencer and the extraordinary Monningtons. The thought is indeed that we are all romantics. The only thing is that for too long we failed to recognise the technical discipline and imaginative quality that, at its best, sustains our romantic narrative tradition, even now . . .

"The Deluge" by Winifred Margaret Knights, c.1920

Opera 80's Onegin and Figaro

WYVERN THEATRE, SWINDON

Chaikovsky wrote *Eugene Onegin* for performance by young people — he longed for their unspoiled freshness, and dreaded the arch sophistication of more mature opera singers. *Onegin* is one of the two new productions on the Opera 80 Spring Tour (sponsored by National Westminster Bank), which started last week in Swindon. It is a good choice for the company, once you accept the limited numbers of dancers at both party scenes, and its leading roles are here given to singers whose youthful qualities Chaikovsky would surely appreciate.

George Mosley, who has already made his mark on a previous Opera 80 tour, is a notably apt Onegin for this production. His slight build, sensitive features, and fine-grained baritone, not large but truly produced, bring to the character and the music a clean definition that is most appealing; and his view of the part is no less finely shaped. Onegin is set apart by his self-conscious stiffness — and, when he falls to his knees in the last scene, the loss of control becomes all the more dreadful. Heather Lorimer's Tatyana is less certain of stage presence and verbal utterance, but the voice has a lovely candour and freedom, particularly at the top, and in the finale she comes sharply into focus, dismissing Onegin with eloquently despairing dignity.

No doubt the strengths of these two performers will be ever more confidently revealed as the tour progresses. About the larger prospects for Wilfred Judd's production as a whole (wrapped in a permanent black backdrop which seemed to cast Stygian gloom on Friday's performance) I am less sure: it is appropriately simple, except when solving needless self-caused difficulties (Tatyana and Olga are on at first curtain-rise, and must then nip off in time for the offstage duet), but it is also rather blank.

The intimate stepwise progression into tragedy that makes this one of the most unbearably sad and painful of all operas was here not very pointfully plotted — most of the movement seemed rough-cut and loosely motivated. The words of David Lloyd-Jones's translation don't come across as well as they should in a chamber-*Onegin* — this is also the fault, it appears, of the conductor, Stephen Barlow, Opera 80's musical director, who fussed with tempos (either relatively too fast or too slow), dynamics, and phrasing rather than coaxing the voices of his cast. Coaxing is needed since some of the voices are technically not yet quite up to the music (Lensky's, for instance).

On Friday the whole show seemed to need a further pulling into shape. The new *Marriage of Figaro*, produced by Stephen Unwin, is altogether more distinctive and definite in outline and purpose. The designer, Bunny Christie, has stripped the stage almost bare — two chairs are all the properties of Act 3 — and relies on colour contrasts of costume to supply brightness. Acting is stylised, with a fair amount of direct address to the audience. The staging has a boldness of manner which is at its most striking just where many *Figaros* lose theirs, in the final act: one tolerates the passing infelicities of detail, and welcomes the lively sense of interaction. (A more up-to-date translation than Dent's should have been chosen, though.)

Figaro was in the very first Opera 80 season (in, of course, 1980). It was more strongly cast then (with Gillian Sullivan and Henry Herford as the Almavivas) than it is now — Linda Clemens, the Barbarina, has the only voice worthy of special note — but as an ensemble performance the new production is enjoyable. Though Ivor Bolton fails to make Mozart's pauses long or dramatic enough, his conducting is otherwise airily elegant, and the woodwind playing of the small Opera 80 orchestra was on Saturday a continual delight. The company is now in Malvern, and Weston-super-Mare, Exeter, and Yeovil are next on the tour, which continues through March and April.

Max Loppert

Graduation Ball

HEXAGON, READING

London City Ballet, on its current regional tour, has made a happy, and astute, addition to its repertory. David Lichine's *Graduation Ball* has been a charmer for nearly fifty years — the combination of Johann Strauss, cadets, girls at a finishing school, and enough *gemütlichkeit* to fill the Imperial Riding School in Vienna, having proved irresistible to audiences wherever it has been performed. The secret of the piece is that it is genuinely happy and sincere in its feelings, felicitous in choreography, and our spirits, like the dancers', are buoyed up on irresistible melody.

Graduation Ball was for years a stalwart of Festival Ballet's repertory — where Lichine staged it — and David Long, a former Festival dancer, has mounted it for London City with a nice appreciation of its manner. Peter Farmer has provided effective designs "after" the delightful originals by Alexandre Benois, and LCB's dancers do well by this insidious, irresistible piece. The danger has ever been that its sincerities of emotion — however lightly stated they may seem — have to be respected. Ill-used by its casts, the ballet becomes a vulgar romp. Lovingly danced as the Royal Danish Ballet used to give it — and as I hope LCB will perform it — Lichine's warm-hearted little masterpiece will continue to beguile audiences wherever it is seen.

The casting on Saturday afternoon preserved the spirit of the choreography, even if some niceties of interpretation were missing. (The Drummer must be the most alert and dashing of figures: the part was originally danced by Nicholas Orloff with the de Basil Ballet Russe, and his performance in London in 1947 in the role is still memorable for its allure and handsome presence.) The girls were pretty, and decorous enough for us to believe that they were, indeed, products of a finishing school a century ago; the cadets were eager without seeming too puppyish; the Headmistress, always a travesti role, is not a grotesque in Simon Horrill's amused interpretation, and is all the more amusing thereby. In sum, *Graduation Ball* is still a delight.

The rest of the programme was less happy: the *Nutcracker* divertissement is over-sugary and under-danced; Istvan Herczog's Giocosa Variations ITALS shows off the company well, but for far too long. Editing of the Martinu score and the dances would be a great improvement.

Clement Crisp

Detroit Symphony

BARBICAN HALL

The Detroit Symphony has been around for seventy-five years (bar a couple of short periods when it foundered and had to await revival), and its London appearance on Saturday counted as part of its Diamond Jubilee celebrations. None of the personnel were left out, though their conductor Gunther Herbig had chosen a programme — Beethoven's "Coriolanus" Overture and 7th Symphony, Shostakovich's intimately disheartened 2nd Violin Concerto — that excluded heavy brass and percussion. He assigned quadruple woodwind to Beethoven, and trombones, tuba and assorted thwackers waited in the wings to spring out for the encores.

With all those well-tuned woodwinds, the Detroit sound-spread boasted a deep, comfortable pile, distanced by a long way from current opinion about early 19th-century style. Yet the net effect was never unduly lush, for Herbig is one of those East German musicians who preserves severe "classical" etiquette: strict pulse, close attention to structure, no indulging of solo voices, but scrupulous matching between the distinct orchestral choirs.

Even then, I thought, musical details from the expert strings (who include a notably keen and unanimous cello section) in the Symphony were sometimes overborne by the sonorous wind band. On the other hand, no first-desk winds betrayed much individual character, not even the superbly secure horn who played second fiddle in Shostakovich. The honest vitality of both Beethoven performances was the product of their clean, confident silhouettes and the collective élan of the playing.

In Shostakovich's 1967 Concerto, Herbig rightly left his soloist Gidon Kremer to fix the sense of the score: few modern concerti are so candidly designed in the solo-with-accompaniment mode. With his usual insightful eccentricity — he is, after all, one of the few great musical virtuosi of our time — Kremer refused to brighten the score with personal flashes, but devoted himself to carrying Shostakovich's lyrically obsessive, inconsolable burden with speaking precision. It scathed the spirit; by 1967, evidently, the composer no longer entertained any illusions about the future, nor about any other time.

David Murray

Stockholm Philharmonic Orchestra

FESTIVAL HALL

The Stockholm Philharmonic Orchestra is celebrating its 75th anniversary with a European tour and on Sunday afternoon appeared at the Royal Festival Hall before proceeding to the Midlands, the North and Ireland. The conductor was the Finn, Paavo Berglund, the soloists were flutist James Galway and harpist Marisa Robles, and the house was full.

What had primarily attracted the capacity audience was, one suspected, the least interesting item: Mozart's Concerto for Flute and Harp, K.299; and this was despatched prettily. Before it came Strauss's tone-poem *Till Eulenspiegels Lustige Streiche* in an energetic and sufficiently accomplished account, but one which lacked distinctiveness and the last degrees of technical polish. In an interpretation of less than flawless virtuosity the piece can easily seem jumpy and over-condensed. This performance might have been thrown off by any good orchestra.

But of Nielsen's fifth symphony we got a performance of profound individuality. A deep commitment to the music from conductor and players was instantly obvious, and one had now to regard the orchestra as an instrument of considerable virtuosity. The quiet, mysterious textures of the opening were beautifully recreated, and the complex, overloaded ones which are subsequently generated were made clear and thrilling. The strings were minutely attentive to the subtleties of bowing, the woodwind solos were intoned with loving care, and the tiniest flick of the tambourine was properly telling. The sustained slow climax over which the side-drum furiously improvises was magnificently controlled: perhaps just a shade too controlled, with perhaps just a shade too little side-drum fury.

The second of the two large parts of the always startlingly original work was quite beyond criticism. As it is meant to, the initial explosion of energy seemed to come with the force of nature, volcanically, not merely with the force of art. The two fugues later on confirmed the string players as capable of amazing finesse, and the little flute-duet which follows the second of them was a particularly touching respite. By the time the exuberant final section was reached I felt caught up in the tonal drama of the work as on no previous occasion: the actual end — in the victoriously achieved key of E flat — was both inevitable and a surprise; and the talk of "progressive tonality" which surrounds Nielsen's music took on sudden new importance.

Paul Driver

Sian Edwards

FESTIVAL HALL

With press reports suggesting that Raymond Gubbay intends to withdraw from the promotion of popular classical concerts, there will be an opening for some other organisation to carry on his work in providing early opportunities for young musicians to make their debuts on the London concert platform.

Another parallel series of the same kind has been the programme of concerts under the London Philharmonic's "Classics for Pleasure" banner, which offers seats at a low, family price. On Friday night a full house turned up to see two young artists, the conductor Sian Edwards and the 18-year old Israeli cellist, Yfsat Weltman. There was a buzz of excitement in the hall and expectations were rewarded with performances not noticeably inferior to the usual run of concerts.

The main work was Berlioz's *Symphonie fantastique*. As yet the level at which Sian Edwards communicates this score remains fairly basic: the textures were bright and clearly-defined, delivery was crisp and rhythmical, to the point where the subtleties of atmosphere and rubato in this most personal of Berlioz's musical visions were fairly comprehensively ironed out. Fast passages also went better than slow ones, where Edwards found less to sustain interest.

Nevertheless, the overall pacing of the work, which is one of the most difficult aspects to get right, was judged with success and she kept the level of concentration from the LPO impressively high. The last two movements, with their racing tempos and whiplash outbursts from the brass, were genuinely exciting and I would far rather sit through this performance again than those of several other more distinguished maestros who have conducted the symphony in London recently.

In the first Cello Concerto by Saint-Saëns Yfsat Weltman made a more than competent soloist, investing her music with sparkle and falling short only in the sweep of the big lyrical themes. It will be interesting to see if the LPO develops its own popular classics series further when Gubhay is gone.

Richard Fairman

ARTS GUIDE

February 10-16

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Royal Opera: *Un re in ascolto*, a dazzling kaleidoscope of sounds, themes, and dramatic visions. Stephen Harrap takes over as conductor. The cast includes Donald McIntyre, Robert Tear, Kathryn Harries, and Elizabeth Laurence.

English National Opera, Coliseum. The first-ever Coliseum *Falstaff* is by the "home-team" of Mark Elder (conductor) and David Pountney (producer). Benjamin Luxon takes Verdi's title role, and the cast also includes Malcolm Donnelly, Janice Cairns (and Anne Collins. Further impressive performances of Aribert Reimann's dry, noisily violent Shakespeare adaptation, *Lear*. Monte Jaffe takes the title role, a uniformly impressive cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel; the brilliant production is by Elke Gramss. Return of Bizet's uneven but lovably fresh and tuneful *Pearl Fishers*, with Cathryn Pope Arthur Davies, and Alan Opie.

Royal Opera House, Sadler's Wells Royal Ballet begins a season on Feb 13 with the first performance of David Bintley's new *Hobson's Choice*. Repeat performance on Feb 15.

Sadler's Wells Theatre, Northern Ballet Theatre ends a season with its dull *Don Quixote* on Feb 11. The adventurous Ballet Gulbenkian from Portugal arrives at Sadler's Wells for a season on Feb 14.

Paris

Opéra. Wagner's *Die Meistersinger von Nürnberg* conducted by Lothar Zagrosek in the Hamburg Staatsoper production.

Opéra Comique. Rameau's *Platée*, a comedy-ballet full of verve and fantasy. Salle Favart (47425750).

Vienna

Staatsoper. In repertory: *Werther* conducted by Sir Charles Mackerras, with Martine Dupuy, Noriko Sasaki, Alfredo Kraus. *Herzog Blaubarts Burg* conducted by Jiri Kout and *Erwartung* conducted by Ulf Schirmer. *Otello* conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeier, Peter Koves. *La Traviata* conducted by Elio Boncompagni, with Waltraud Winsauer, Giuliano Cianella, Thomas Allen (Tel: 51444. ext. 2660).

Volksoper. The week's offerings include *My Fair Lady*, *Der Barbier von Sevilla*, *Der Zigeunerbaron*, *Arthur Schnitzler und sein Reigen*, *Die Csardasfürstin*, *Don Giovanni* and *Cosi Fan Tutte* (51444 ext. 2662).

Brussels

Cirque Royal. La Compagnie Lyrique d'Opéra Français in Bizet's *Carmen* staged by Bruno Streiff and conducted by Gueorgui Notef (218 2015).

Berlin

Opera. *Die Hochzeit des Figaro* has a strong cast led by Julia Varady, Iris Vermillion, Carol Wyatt, Alan Titus and Manfred Roehrl. *Turandot* in Götz Friedrich's production features Linda Kelm in the title role, Ciamma Dale (Liu), Corneliu Murgu (Kalaf), Martti Talvela (Timur) and Peter Gougaloff (Akiser Altoum). *Notre Dame de Paris*, jointly choreographed by Maurice Jarre/Roland Petit has Bart de Block, Raffaela Renzi, Tom van Cauwenbergh and Tomas Karlborg in the solo parts. Robert Hale repeats his much praised performance in the title role in *Der fliegende Holländer*.

Hamburg

Opera. *Der Rosenkavalier*, conducted by Silvio Varviso is sung by Anna Tomowa-Sintow, Hildegard Hartwig, Gabriele Rossmanith and Hans Sotin. *Ariadne auf Naxos* is a well done repertoire-performance with Anna Tomowa-Sintow in the title role, Klaus Koenig (Bacchus), Hellen Kwon (Zerbinetta) and Dieter Weller (Musiklehrer). *Dornröschen* and Bach's *Matthäus Passion*, both choreographed by John Neumeier round off the week.

Bonn

Opera. Last performance of *Lucidor*, choreographed by Youri Vamos. *Tannhäuser* stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler, Nadien Denize and Christer Bladin and excellent conducted by Dennis Russell Davies. The *Fledermaus* provoked heavy protests against the ultra modern Bernard Broka production, which was redeemed by the singing.

Amsterdam

Netherlands Opera. Premiere of new production of Berlioz' *Damnation de Faust* directed by Harry Kupfer. Hartmut Haenchen conducts the Rotterdam Philharmonic, with Hedwig Fassbender as Marguerite, Jean-Philippe Lafont as Mephistopheles, Barry McCauley as Faust (Fri, Mon, Thur).

Nederlands Dans Theater with a new ballet by Mark Haim to music by Mozart, *A Tear in Time* (Chase/Lipari), and *Lieder eines fahrenden Gesellen* (Kylian/Mahler) (Sat, Sun matinee). Muziektheater (255 455).

Rome

Teatro dell Opera. Elegant neoclassical productin of Cimarosa's *Gli Orazi e i Curiazi* by Francesca Zambello, as part of Rome's celebrations of the bicentenary of the French revolution. Alan Curtis conducts a young cast which includes Anna Caterina Antonacci and Gianna Rolandi as the ill-starred lovers: the Roman equivalent of the Montagues and Capulets (46.17.55)

Milan

Teatro alla Scala. Puccini's *Tosca* in Piero Faggioni's production, with scenery and costumes by Nicola Benois. The cast includes Ghena Dimitrova (alternating with Maria Guleghina), Veriano Luchetti and Piero Cappuccilli (alternating with Alberto Cupido and Jaun Pons), conducted by Tiziano Severini and last performance this season of Weber's romantic opera *Oberon* in Luca Ronconi's elaborate production, designed by Margherita Palli, and conducted by Seiji Ozawa (80.91.26).

New York

Metropolitan Opera House, Lincoln Center. David Stivender conducts *Idomeneo* with Carol Vaness as Elettra, Frederica von Stade as Idamante and Siegfried Jerusalem in the title role. *Bluebeard's Castle* continues with Jessye Norman as Judith and Samuel Ramey in the title role. James Levine conducts, along with the monodrama *Ewartung* where Jessye Norman sings the Woman. James Levine also conducts *Don Carlo* with Neil Shicoff in the title role, Margaret Price as Elisabetta, Tatiana Troyanos as Eboli and Bernd Weikl as Rodrigo (362 6000)

Chicago

American Ballet Theatre (Civic Opera House). Borrowed from the Bolshoi, Andris Liepa leads the company in a classical repertory featuring Baryshnikov's new production of *Swan Lake* and Kenneth MacMillan's *Romeo and Juliet*, along with an evening of Twyla Tharp pieces. Ends Feb 18 (902 1500).

SALEROOM

Porcelain popular

The London salerooms sprang to life yesterday after an extended winter break, at least for the main rooms at Sotheby's and Christie's. Little had changed. In the routine auction of British ceramics at Christie's the good and the rare was in demand while the second rate was even more unwanted.

One development was the increased popularity of 18th century porcelain at the expense of earlier pottery. In recent years American bidding had given pottery the edge. For exsmple a Chelsea silver shaped oval dish of around 1750, decorated with a Chinese dragon and tiger, sold for £7,150, three times its forecast, to the London dealer Amor. Christie's last sold it in 1980 for £1,210. It is a classic piece in perfect condition. In contrast a pair of Chelsea silver gilt mounted beakers much rarer but damaged made £2,420, just at the top of their estimate.

The top price was the £14,350 which secured an Ohadiah Sherratt gronp of Polito's Menagerie, a colourful piece packed with figures and animals and made around 1830. The last example of this rare item to appear at Christie's, slightly different in style, went for £16,500 in 1985.

Among the early items a Staffordshire saltglaze two handled cup went to the dealer Jonathan Horne for £11,550, double its forecast. It was in fine condition, carries the date 1761, and had not heen seen for years, whereas a slipware dated tyg (bowl), also dated, 1730, but sold st suction just three years ago was unsold.

Sotheby's offered routine furniture. It had sold all the best stuff on Friday in an auction which totalled £1,195,000, with 11 per cent unsold. The recent realisation that reproduction furniture is worth collecting was well illustrated hy the price of £14,300 paid for s set of 16 mahogany dining chairs of Georgian style but made around 1910: they had been estimated st np to £4,000. The current popularity of the period after 1830 was also confirmed in the price of £12,650 for a pair of William IV rosewood jardinière tables which had s £3,000 top forecast.

In contrast four poster beds are cheap, a good example of around 1790 selling for £5,280. The greatest disappointment was reserved for a Regency library table made around 1810 in the manner of Thomas Hope. It was estimated at up to £60,000 and so well marketed hy Sotheby's that its owners spotted it as stolen from their home. It was quickly withdrawn and enquiries mounted.

Antony Thorncroft

FINANCIAL TIMES
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London's club instinct

LONDON'S INTERNATIONAL Stock Exchange has a problem. It has a surfeit of market makers who suffer from an acute shortage of profits. Even after the hoomlet of the last few weeks, which has now gone into reverse, some in the equity market are making big losses. The question is how to manage the inevitable shake-out in which the number of participants will have to be cut down to size. It is a moot point whether the exchange's proposed changes in the trading rules will help that process.

There is not much doubt that London's new screen-based Seaq dealing system, introduced at the time of Big Bang, is not working to the satisfaction of all concerned. Several of the exchange's members, especially those associated with the pre-Big Bang London jobbing fraternity, have complained of "fair-weather" market making, whereby less well-established firms have been only too happy to unwind share positions with the larger market makers while failing to provide the same service in return.

Why, runs the argument, should the less scrupulous enjoy such advantages as exemption from stamp duty while failing to provide genuine liquidity to the market? The answer provided by UBS Phillips & Drew and Barclays de Zoete Wedd late last year was to boycott the Seaq system by refusing to quote prices in more than nominal amounts.

Spoiling tactics

At the same time there have been complaints of spoiling tactics in the market. The transparency of the Seaq system has meant that information about large share transactions is almost immediately available to all the players in the system. They are thus able to make competitive adjustments against any firm that can be seen to have taken an exposed position. This has caused market makers to become increasingly risk averse. Concern has been expressed by investment institutions about the impact on liquidity.

The reforms proposed by the International Stock Exchange's sub-committee on UK equities involve removing the market makers' obligation to deal with each other and allowing firms to withhold information about large trades until the following day. The first change was implemented yesterday and one immediate outcome was that the two firms that had boycotted Seaq started once again to quote in sizeable amounts.

Contentious issue

Whether the overall impact of the changes will be good for liquidity remains a contentious issue. Some leading American houses, notably Shearson Lehman and Merrill Lynch, are known to believe that the new rules discriminate against them in favour of the old City jobbers – and they are surely right. Reducing the transparency of the market in this way will tilt the balance of competitive advantage in favour of those who have existing customers and away from those who have plenty of capital but fewer orders. In other words, it hits those big international players who came into the post-Big Bang market on the assumption that their capital would be allowed to work for them.

Certainly the rule changes appear to fly in the face of the logic of Big Bang, which was intended to bring fresh resources into the London market in order to enhance its ability to conduct international business. It also raises a question for the Office of Fair Trading – though it is hard to see the OFT getting over-excited until there is a much greater degree of concentration and a much higher level of profitability in the trading fraternity.

But on balance it would be too simplistic to say that the changes are wholly ill-conceived. The problem lies not with the diagnosis but with the remedies. Removing the market maker's obligation to deal with competitors is a very blunt instrument; and it is hard to believe that market makers need more than an hour or two's grace from disclosure to protect their position in a properly competitive market place. The impact of the changes on London's competitive position as a financial centre can be exaggerated. But this smacks of excessive generosity to the old club.

The US in the dock

IN THE COURSE of the present decade there has been a growing conflict between the rhetoric of the US commitment to the multilateral trading system, on the one hand, and its domestic trade law, on the other. Until now, this comfortable schizophrenia has gone largely unchallenged. But this is true no longer. Two new issues on the table in the General Agreement on Tariffs and Trade have rudely shaken American complacency.

A Gatt disputes panel found against the US because of the way in which Section 337 of its trade law discriminates against foreign companies in the process it prescribes for dealing with complaints on patent infringement. The European Community has also won, at least informal, support from its Gatt partners for its protests about the unilateral decision by the US to impose trade sanctions against Europe's general ban on growth hormones in meat.

Stark challenge

Coming so close together, these two cases pose a stark challenge to the US. Its trade legislation confers a right to unilateral action against what Washington deems unfair trading practices. Such a right has long been latent in US law, but until the 1980s it was little exploited and only more recently still has it been challenged internationally. Coinciding as it will with a critical point in the Uruguay Round of multilateral trade negotiations, the US response will have decisive implications for the future of the system as a whole.

Ironically, the Gatt system of quasi-legal international rules and obligations was very much a US creation. The US knows that the Gatt can only survive if the rules under which it operates are respected. Indeed, it has itself been at the forefront of efforts to strengthen Gatt dispute settlement procedures. Its natural inclination to ride out the complaints of its trading partners, without taking corrective action, sits badly with this effort.

The tighter dispute settlement procedure agreed in the recent trade ministers' meeting in Montreal may give Gatt more bite. The same may be true of Gatt's newly mandated trade policy surveillance system (although the ludicrously small SFr 500,000 budget allocated to this purpose raises serious doubts). But neither of these institutional changes will be worthwhile if the US insists on maintaining laws that encourage it to violate Gatt rules unilaterally.

Technical grounds

It is true that, ultimately, self-help is the only way that the rules can be enforced. But what the Gatt provides are procedures and rules that govern how and when states may act. The US must recognise that no system of rules can survive if each participant believes it possesses *carte blanche* to act in its own behalf.

The active US promotion of the Uruguay Round suggests that it wishes to preserve the multilateral trading system. If so, this requires a willingness to accept multilateral surveillance over its own actions. It is not enough for the US to weasel out of obligations on technical grounds. Particularly in the patents case the verdict is clear and well-publicised. If the US blocks formal adoption of the report by the Gatt it will be seen to be turning its back on the multilateral system.

Logic dictates that the US has to change its own legislation. Political realities mean that the prospects of this are, unfortunately, remote. Congress will be in no mood to bow to requests to change trade legislation that it voted to stiffen only last year. Handling this conflict between international obligations and domestic constraints in trade policy calls for sophisticated statesmanship from the Bush Administration in general and from a largely untested Trade Representative, Mrs Carla Hills, in particular. The challenge is a daunting one.

It is also inescapable. The US cannot claim the right to be judge, jury and executioner in its own cause, while simultaneously proclaiming its allegiance to a system based on a multilaterally determined rule of law. The ethics of the vendetta and the rule of international law are mutually exclusive alternatives. Can there be any serious doubt about which the US should choose?

David Barchard on the fight between the UK's suppliers of plastic money

Seeking fortunes in the cards

Few industries have changed as rapidly or bewilderingly as the credit card business. Nearly two years ago when the Office of Fair Trading decided to refer credit cards to the Monopolies and Mergers Commission for the second time in a decade, few people were surprised. Credit cards were still a by-word for cosy cartelistic dealings between banks.

When the commission reports in May, however, it will do so with the market fizzing with competition, and in which it is hard to keep count of the players and products.

Just over a decade ago there were only two credit card issuers in the UK, Barclaycard and Access, working discreetly in tandem. (American Express's traditional green cards do not offer credit.) Even when other banks began to get into the market, a monolithic set of arrangements still prevailed.

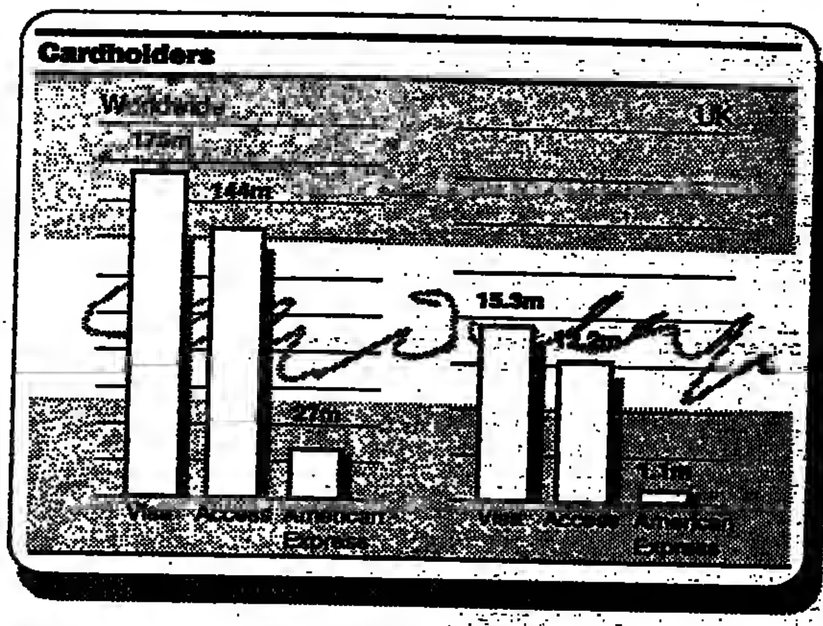
In the complex world of credit cards, banks have their eyes on two sets of customers. Alongside their personal customers, who hold the cards and pay interest on their outstanding balances, credit cards earn money from the networks of retailers at which the cards can be used. About a third of the income from credit cards comes from commissions paid by retailers on each sale by credit card. The issuer deducts an agreed percentage on each credit card transaction, usually around 2.3 per cent.

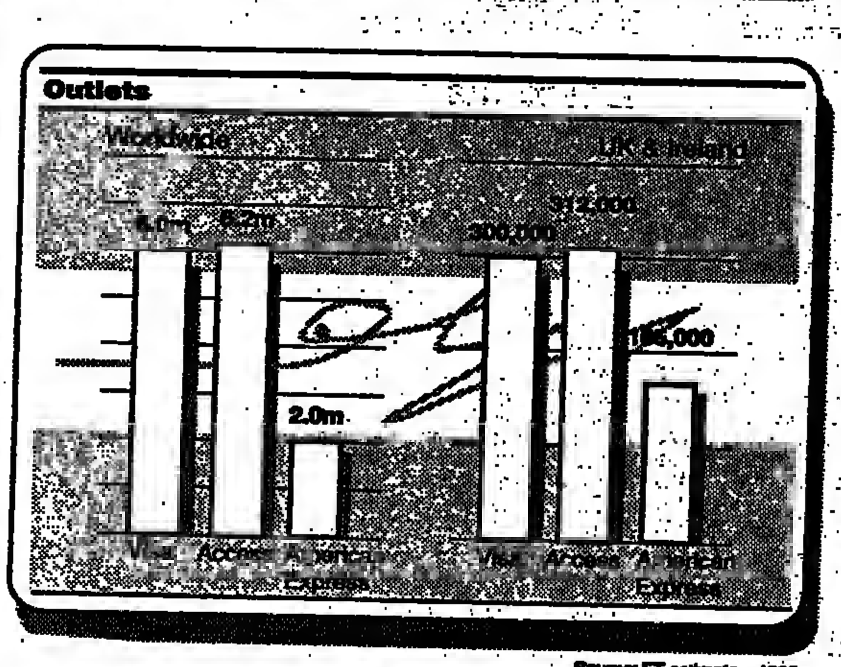
Until recently there was no competition on this side of the business. Access negotiated arrangements for its members. Barclays did the same for the Visa banks. If retailers wanted to handle both Visa and Access cards, they had no choice but to go to Barclays for the former and the Joint Credit Card Company (the issuers of Access) for the other.

Equally, consumers had very limited choice in practice. Whether they tried to choose between the two payment systems or within them (for example by selecting Midland Access rather than Lloyds Access or Barclaycard rather than TSB Trustcard in Visa), the card services they were offered and the interest rates with them were largely indistinguishable.

But now the banks are positioning themselves for a period of fierce competition to hold on to their shares of both cardholder and retailer markets.

"Competition is breaking out at every point," says Mr Seymour Fortescue, head of Barclays Central Retail Services. "American Express has launched Optima, its own credit card. We have launched an RAC MasterCard and have another one still up our sleeve. Midland and National Westminster, traditional Access issuers, are getting ready to issue their first Visa cards."





Source: FT estimates, 1988

Virtually all banks and a growing number of building societies want to issue credit cards now

One reason for the new spirit of competition is that whereas 10 years ago, only the larger banks wanted to issue credit cards, virtually all banks and a growing number of building societies want to do so now.

For example, until Barclaycard admitted TSB in 1979, it was the only member of the Visa payments system in the UK. Today there are 31 Visa members and the number is rising. In the past year, five building societies have joined Visa.

Halifax and Leeds, the only building societies so far to begin issuing Visa cards, have built up quite substantial cardholder bases of over 100,000 within a few months.

Meanwhile, at Access, even more fundamental changes have been under way. The Joint Credit Card Company is a joint venture set up by NatWest, Lloyds, and Midland in the early 1970s when none of those banks felt able to go so far into the credit card markets alone. For more than a decade, Access was the only UK MasterCard affiliate, jealously guarding its exclusivity over the years by turning away a stream of would-be new members. But as the market grew, this policy turned sour. The rejected newcomers joined the Visa system instead. By last summer Visa had 15.3m UK cardholders compared with Access's 12.2m.

Access's exclusivity also extended to new products. In the summer of 1987 Barclays issued Connect, the first UK debit card (the electronic equivalent of a cheque book). Lloyds sounded out Access about being allowed to do the same.

"We talked to Access to get permission for a debit card, but the JCCC is a joint venture and joint ventures can only go at the speed of the slowest member. We were an on-line bank already and wanted to go at once. So in July 1987 we approached Visa and became members the following October," says Mr John Hutchinson, Lloyds' general manager, UK retail banking.

Lloyds thus became the first bank in Britain to be a member of both the Visa and Access/MasterCard payments system. In June last year its Visa debit card was duly launched.

At this point, Lloyds suddenly became aware that unsuspected new horizons in its credit card business had opened up before it. "The logic develops as you go along," says Mr Hutchinson. "We realised that if we were to do a Visa card, then dual acquisition was also an option."

Dual acquisition is American jargon for a single bank offering both Visa and MasterCard handling facilities to retailers. Lloyds was, in effect, deciding to compete both with Barclays and Access on the retailer side, but with the considerable advantage that it would be offering the retailers the services of both credit card networks.

For Barclays, Lloyds' move was a challenge which could not be ignored. A year earlier, Barclays would have had no way of responding to Lloyds' challenge because, as the founder member of Visa in Britain, it was not a member of Access or MasterCard and so unable to offer retailers facilities on both networks.

In August however the JCCC announced that, while its member banks would hang on to the exclusive Access brand name, other banks would, for the first time, be allowed to issue their own MasterCard products to the UK.

This was a fundamental reversal of policy, made in response to the apparently flagging international and UK popularity of the MasterCard branding. Ironically, one of the first applicants to MasterCard turned out to be Barclays at the beginning of August, intent on competing with Lloyds for retailers – even though more than a month elapsed before Lloyds publicly announced its decision to go for the retailer network market.

NatWest and Midland had little choice but to go down the same road by applying to join Visa. Barclays enjoyed considerable advantages over the other three banks, notably the possession of the oldest and largest credit card sales force in Britain based at its Barclaycard operation in Northampton.

Furthermore, all the banks know that competition for retailers, who until now have had no choice but to deal with Barclays for Visa and Access for MasterCard, means that the retailers will certainly use their new-found bargaining power to try and drive down even further the discount they pay on credit cards.

The larger clearers also know that unless they are prepared to offer retailers combined credit card services, they could find themselves being squeezed out of other banking relations with them. "We are looking at merchant acquiring (the building up of links with retailers) because it is an important aspect of our overall account relationship with the retailers," says Mr Scott Thompson, head of merchant services at Midland Bank. "The two are inextricably linked."

In the face of direct competition between its members, the JCCC has had to redefine itself. "We are winding down our selling force and accept that the major role for the Joint Credit Card Company from now on is a multiple processing role," says Mr Tony Lee, chief executive.

Larger banks are hitting back at attempts by newcomers to grab their best customers

"Lloyds hopes to set up its dual acquiring operation by the summer. Barclays, with its established sales force, can expect to go straight ahead, having now qualified as a MasterCard issuer by issuing a token MasterCard aimed exclusively at RAC members.

Meanwhile the banks, along with the possibility that they will earn less from the retailer side of credit card business, face even greater competitive pressures on the cardholder side where the larger clearers are competing with smaller institutions.

Electronic technology has already transformed the relationship between cardholders and banks. "The arrival of automatic teller machines and Eftpos (purchases by electronic funds transfer) have made the plastic card a natural extension of the current account," says Mr Thompson. Use of credit cards has changed accordingly. A growing proportion of cardholders – 42 per cent in the case of Barclaycard – now use their cards solely as purchasing instruments, settling their accounts in full each month.

Those who do not settle their accounts in full but use the revolving credit attached to the cards are in effect taking an unsecured personal loan.

Not all borrowing is done by the impecunious. "It is a fallacious assumption that well-off people do not borrow," says Mr Steven Goldstein, UK president of American Express. American Express's Optima card is the latest in a series of ventures by card issuers other than the big banks to offer card-based credit at interest rates closer to those of unsecured personal lending to wealthy customers who are good credit risks.

Earlier entrants into the same market are Save & Prosper and Chase Manhattan, who both offer cut-price Visa cards. They are both tiny operations by comparison with the banks. Save & Prosper, for example, has only 35,000 cardholders compared to 9m for Barclaycard.

But Saver & Prosper is cherry-picking. Applicants for its card are carefully credit scored to weed out high-risk low-income individuals and to secure an affluent customer base to whom other financial services can be sold. "Wa plan to sell our interest bearing current accounts to our credit card base and then, perhaps five years or so down the road, sell unit trust and other investment products to them," says Mr Ian Lindsey, executive director at Save & Prosper.

Mr Goldstein says American Express has no intention of offering Optima customers current accounts. "We are more boutique-like than a mass marketeer. We don't want to get into banking in the classical sense, but we can distribute direct mail financial services which do appeal to our customers."

The larger banks are already hitting back at these attempts by smaller newcomers to grab their best customers. Last month Barclays wrote to the 30 other Visa issuers in the UK telling them that it had trimmed the "interchange" or processing fee which it pays to other Visa card issuers from 1.3 per cent of turnover to 1 per cent.

The difference may look small, but it is expected to reduce the income of other Visa issuers significantly. TSB Trustcard, the second largest Visa issuer with 2.8m cards, for instance is expected to lose about £8m a year from the change. In 1988, its profits were £12m.

Another way to shake out the market could be to introduce fees for cardholders and Barclays announced at the weekend that it is thinking of doing precisely that. Barclays is the largest single card issuer in the UK; the move is seen in the industry as a characteristically bold bid to stay ahead. In the US, such action has led to a dramatic fall in the number of cards held by the average consumer.

"Up-front fees will obviously lead to the cardholder making a choice to discard some of his cards. Those with very small cardholder bases will have a lot of trouble making a go of it," says Mr Mike Blackburn, chief executive of Leeds Permanent building society and a former head of Access. "Those who haven't got a critical mass may not survive for long."

OBSERVER

Tough guys at the top

■ Frank Lorenzo, chairman of Texas Air, has been named one of America's seven toughest bosses in a poll conducted by Fortune Magazine. The poll may have been restricted in that respondents were not allowed to nominate the boss of their own company. That ruled out Ross Johnson of RJR Nabisco, Fortune comments.

Lorenzo qualifies because, in the words of a Merrill Lynch analyst, there's not a person at the company who "doesn't sooner or later feel Frank's baleful stare that says: 'You have totally and utterly failed me.'"

Also in the list is Harry Figgie Jr, who admits to having learned his toughness under General George Patton, in the field against the Germans. He is now 65, chairman of Figgie International, a conglomerate near Cleveland, and has no plans to retire. Some days he can be extremely pleasant, but you have to work out the day in advance.

Hugh McColl Jr, chairman of NCNB Corp, the banking company in North Carolina is thought to be so tough that his executives presented him with a hand grenade. He kept it on his desk and one day during a meeting pulled out the pin to see who would flinch.

Robert L. Crandall, chairman of AMR Corp, the parent of American Airlines, is apparently so tough that he refused to give Fortune a comment on himself.

"Tough," as Fortune says, does not necessarily mean either good or bad. It is broadly defined for business purposes as "demanding and hard to please for whatever reason."

Rare Bulletin

■ A strong secondary market has developed for back copies of the Bank of England Quarterly Bulletin. So mnch so that a West German company is now offering bound sets of reprints of volumes 1-25 (1960-1985) for DM 4,100 and bound volumes for DM 170. The company is appropriately called Schmidt Periodicals, though it turns out to have nothing to do with the former West German Chancellor and a pioneer of the European Monetary System.

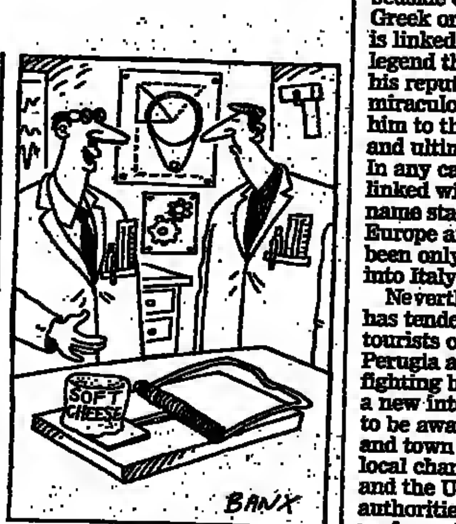
Until 1981 the Bank used to give its bulletins away. Now they cost £7.50 each or £27 for a year's subscription. The print order is running at over 5,000 and rising. Anyone who has numbers that go back before 1981 has an investment.

Topless

■ Something of a stalling operation is going on at the Pentagon as John Tower waits to see if his nomination as Defence Secretary is approved by the US Senate.

Although Tower has appeared very publicly at the President's side for photographs of a Cabinet meeting, he cannot give orders and the delay is holding up work on reviews of procurement policy and defence objectives. Moreover, several other key appointees – including deputy secretary Donald Atwood from General Motors – await Senate confirmation and, in the case of the service secretaries, have yet to be named.

The Pentagon is, however, being run by a familiar name. The acting Defence Secretary is William Howard Taft IV, great-grandson of President Taft and grandson of the great Republican Senator of the post-war era, Robert Taft. At the Interior Department, the new general counsel is another Republican name from the past, Wendell Wilkie, the grandson of the former presidential candidate.



"It's my new improved mousetrap."

The late Senator Prescott Bush, the President's father, would have felt that Washington was in safe hands.

Up and down

■ Retail sales fell in January, according to DTI figures yesterday, but the trend is still upwards. Sales in the last three months were higher than the previous three months. Yet looking at the three-month on three-month figures, there has been a slowdown in the rate of increase since the summer. Confused? So was the DTI. "Certainly there has been a fall in the rise," said a spokesman.

Valentine Day

■ Is this the real thing? The Communist mayor of the small Umbrian town of Terni has decided to patronise its patron saint. Today's cheerful, rather pagan and heavily commercialised feast-day marks the martyrdom, in the year 273, of Terni's bishop, Valentine.

The Bishop was called to Rome (no place for Christians in the third century) to the bedside of the ailing son of a Greek orator. In fact, his name is linked with lovers more by legend than by proof; it was his reputation for effecting miraculous cures that brought him to the Romans' attention, and ultimately to his death. In any case, the traditions now linked with St Valentine's name started in northern Europe and America, and have been only recently re-imported into Italy.

Nevertheless, Terni, which has tended to be by-passed by tourists on their way to Assisi, Perugia and Spoleto, is now fighting back. From next year, a new international prize is to be awarded by the mayor and town council, with the local chamber of commerce and the Umbrian regional authorities, to whoever has performed some spectacularly unselfish act or shown devotion to a worthy cause.

The prize will be presented on February 14 1990, and broadcast live by satellite on Italian television during a "night of love." The first St Valentine Prize, announced yesterday in front of 30 engaged couples from all over Italy (and all wearing locally designed wedding-dresses) was awarded symbolically to Mother Teresa of Calcutta, Peter Ustinov (for his work as ambassador for Unicef) and Erich Segal, author of Love Story.

Currie's pull

■ One of my daughters tells me that she came across a man selling fruit in the local market with the cry: "Edwina Currie says you must eat oranges, Edwina Currie says oranges are good for you." And, sure enough, he did a roaring trade.

Definition

■ An expert: a handyman away from home.

LETTERS

'What matters is efficiency'

From Mr Allen Sykes.

Sir, Lex's comment on merger policy (February 6) argues that objecting to foreign mergers merely on grounds that the bidders are bid-proof rightly rejects the reciprocity argument as largely a cover for nationalism. The implied conclusion that the bid-proof issue is of no relevance, however, is not sustainable.

The primary issue of merger policy should be economic efficiancy for British-owned assets. Competition, both in product markets and the market for corporate control, is the principal means of securing such efficiency.

The problem is what merger policy should be when the bidder is largely immune from both pressures — surely the case with privatised companies operating monopolies and protected by golden shares (the single share retained by the UK Government, enabling it, in theory, to veto a takeover of the privatised company).

The larger companies in these categories, with their enormous resources, would be capable of sustaining inefficiency by cross-subsidisation on any acquisitions they chose to make. No takeover remedy would exist.

I advanced in my article ("The tronble with bid-proof companies", January 4) the modest safeguard that at least companies which were large, bid-proof and largely free from product market competition — or unlikely to operate acquired assets efficiently in the long term — should be referred by the Office of Fair Trading to the Monopolies and Mergers Commission. If the MMC should ascertain that the bidders were operating efficiently, and likely to enhance the efficiency of the companies they were proposing to acquire, then such bids should be allowed. This has nothing to do with nationalism, because it would apply to UK companies as well. But it has everything to do with what really matters in this debate: efficiency. There is much more to efficiency than allowing all bids from bid-proof companies to proceed regardless of the likely economic consequences.

This viewpoint also appears to have been misunderstood by the Government. In addressing your February 7 conference on European mergers, Mr Francis Maude, Minister at the Department of Trade and Industry, limited his observations on European bid-proof bidders to the fact that bid-proofing damages the shareholders of bid-proof companies. It also damages the efficiency of national assets. That is why it is a proper public interest matter for merger policy.

Allen Sykes,
51 Charles II Street, SW1

A voice distinctly disturbing

From Ms Lucy Macdonald.

Sir, I am becoming increasingly disturbed by your back-page misogynist, Christopher Dunkley. I used to smile while reading the amusing old eccentric, tooth-gnashing over women's programmes. I never imagined he was serious. But on February 1 he distinctly told the many female readers of the FT not to worry, because although men always slobber over "page three" girls, they do not marry them.

A week later (February 9) he appears to be saying that women batter their children in their neurotic dash to save "seal pups or elderly donkeys," ignoring the fact that it is a national, not a female, trait to prefer animals to people. This man must be stopped.

Lucy Macdonald,
127 Queenstown Road, SW8

Industry must fine-tune to 1992

From Professor Charles Baden-Fuller.

Sir, Christopher Lorenz rightly points out (February 6) that bigger production units may be better in the post-1992 phase of Europe, but he wrongly suggests that this question is linked to firm choice.

Our research strongly suggests that industry economics is the principal factor influencing the value of strategies driven by production scale, and that for many mature industries such large scale is now wholly inappropriate.

In the 1960s, in white goods, textiles and high vacuum pumps, large scale production of a limited variety of products and components was the source of local and European advantage after formal tariffs barriers were removed between countries.

By the end of the 1970s this was no longer the case; smaller scale producers, using ideas from other industries, surpassed large-scale operators in both efficiency and profitability — for example, Hotpoint in the UK, and Candy and Carpi in Italy.

In the mid-1980s, variety, fashion and rapid response became a new source of competitive advantage. Almost all these were built on medium-sized rather than large-scale operations, because retailers and customers wanted local service of tailored international goods.

In pumps, Edwards High Vacuum followed a similar strategy in producing its components for systems manufacturers, proving that fashion is not the exclusive preserve of consumer goods and, contrary to what Mr Lorenz suggests, that components are not necessarily homogeneous products.

Large scale may be a source of competitive advantage in the 1960s, but it is large-scale systems which permit the co-ordination of production among dispersed units for dispersed end users, rather than large-scale plants producing standardised items.

Herein we see the source of advantage of the Benetton operation, and the goals of firms such as Dawson International and Richardson.

Our analysis suggests that, in the 1990s, successful firms will combine flexibility with international capability. Investment will be needed not in large-scale plants nor in standardised output, but in creating flexible and responsive systems.

Charles Baden-Fuller,
School of Management, University of Bath, Claverton Down, Bath, Avon

Large may not mean competitive

From Professor J.A. Kay.

Sir, Christopher Lorenz's critique (February 6) of our report on 1992 is right to stress the theme that analysis and conclusions should be industry-specific. But there is some irony in his choice of the domestic appliance industry to demonstrate the benefits of pan-Europeanisation — it provides an equally forceful illustration of the dangers.

This industry was led for a period by producers whose cheap Italian-built machines swept across the European market. But that market evolved. Cheapness was no longer a principal selling point, and flexible manufacturing processes reduced the significance of economies of scale.

By the early 1980s, both the principal Italian manufacturers were in need of financial rescue. The profitable producers in the last decade have been smaller firms (like Britain's Hotpoint) which have enjoyed the benefits of European sourcing and scale economies in component manufacture, but have sold principally to the domestic market for which their products were adapted.

Of course there are industries where scale economics are important. But there is no more disturbing fallacy in the 1992 debate than the widespread belief that cost leadership from large scale is the principal source of competitive advantage.

And the number of industries for which that is true is probably diminishing, not increasing. The emphasis on size distracts attention from far more important elements in success — such as appreciation of the distinctive requirements of differing markets and distribution systems.

J.A. Kay,
Director, Centre for Business Strategy, Sussex Place, Regent's Park, NW1

Shooting stars

From Mr Michael Varcoe-Cocks.

Sir, The review by your new dance critic, Alastair Macaulay, of the recent "Les Géants de la Danse" season at the Théâtre des Champs-Elysées in Paris (January 31), raises some fundamental questions about the function of the critic in the arts. As a display of bad-tempered personal prejudices, this review has little competition.

Mr Macaulay and some other British critics obviously hate the works of Maurice Béjart and Roland Petit. As a ballet-lover, it seems to me that what they really despise is that these choreographers create works which draw in huge crowds.

Picking on Sylvie Guillem's extraordinary and genuinely unique technique as a clear example of absence of classicism at the Paris Opera company is just silly. Nor should Mr Macaulay display his lack of technical knowledge: a 220-degree *arabesque penchée* does not exist (after 180-degrees it becomes something else). In any event, Miss Guillem would have fallen over unless — as Mr Macaulay omits to say — she was being supported by her partner.

But it is Mr Macaulay's obsession with feet and arches which really harms the validity of his writing.

Referring to Miss Guillem's "strikingly arched feet," he complains that the arches "lack pliancy and expressiveness." Who can understand (in dance or any other terms) what a pliant arch is and what it is that arches are supposed to express?

The saving grace of Mr Macaulay's review is the — by now surprising — concluding paragraphs extolling the undoubted genius of the Bolshoi's Ekaterina Maximova.

Michael Varcoe-Cocks,
17a Nevern Mansions, Warwick Road, SW5

Scottish waters run dear

From Mr W.R. Anderson.

Sir, You report (February 2) strong Parliamentary protests at an average water price increase of just under 10 per cent. Here in Scotland our hearts bleed for you.

Scottish water authorities are at present run by the regional councils. The increases in our metered water charges will rise — in Grampian by an enormous 110 per cent, to 43 pence per cubic metre, one of the highest in the UK. Highland will rise by 88 per cent, and Strathclyde faces a 68 per cent increase. Lowest is Fife: a mere 18 per cent. Such increases make English and Welsh water authorities look positively munificent. (The only MP — Malcolm Bruce — to protest used the opportunity to accuse the Government of fattening the water-calf ready for privatisation.)

While politicians play their party games, a large fish processing concern steels itself to pay an increase in its water bill next year, from £49,000 to £102,000. Even small food processors expect to pay £3,000 to £4,000 extra next year.

One Grampian hotelier is threatening to charge for water and have a jug of free whisky on his bar counter. It could do wonders for our tourist trade.

W.R. Anderson,
National Federation of Self Employed and Small Businesses, 34 Argyle Arcade, Glasgow, Scotland

Resistance to the EMS

From Mr Peter Robeson.

Sir, If Mrs Thatcher is still against sterling joining the European Monetary System (EMS), she is quite right. No doubt this view will be attacked from all sides, as in the past, largely by people who would appear not to understand the current nature and structure of international money markets.

Sterling remains an important international investment currency, and important currencies still float against one another.

It would be folly to seek to put sterling into a fixed relationship in what is essentially a D-Mark bloc. It would exacerbate strains within that system, do nothing to improve wider international currency stability, and complicate still further the essential and long-term task of restraining domestic inflation.

Peter Robeson,
Thatchers, Happisburgh, Norwich, Norfolk

Help in two moves

From Mr A.D. Bishop.

Sir, For many taxpayers, the Inland Revenue will not take into account mortgage interest paid without seeing an original form Miras 5.

It would be most helpful if building societies would automatically issue Miras 5 certificates for each fiscal year to borrowers — and save themselves time and effort by changing their year ends to April 5, so that an annual statement and Miras 5 can be prepared at the same time.

Cost savings to the societies, borrowers and, incidentally, accountants and the Inland Revenue would be enormous.

A.D. Bishop,
David Howard, 4 High Street, Hampton Wick, Kingston upon Thames, Surrey

EC takes cautious line on Eastern bloc co-operation

From Ms Margarita Maximova.

Sir, It is six months since the Council for Mutual Economic Assistance (CMEA) and the European Community signed a joint declaration establishing official relations, opening the way for the parallel development of relations between CMEA and the EC and between their member countries. Progress since then, however, has been both limited and uneven.

The EC has important economic agreements with Hungary and Czechoslovakia and the Soviet Union, and other CMEA countries are also working in this direction. Many of them have opened diplomatic missions in Brussels. These developments will help to resolve the complex trade, economic and other problems which still hamper relations.

In certain specific areas, co-operation between the EC and CMEA is already well under way: for example, in exchanging information, economic statistics, standardisation and environmental protection. Recent contacts have produced agreement on the need to pool efforts in developing passenger and freight transport facilities, and in science and technology, where both economic groupings have comparable long-term programmes. But it does seem that the EC is approaching the issue of scientific co-operation with excessive caution, regarding it almost as a threat to the West's security.

Co-operation in the power industry also holds promise, especially in the fields of developing alternative sources of energy, thermo-nuclear fusion included, and in creating effective safety systems in nuclear power production.

But overall, progress in relations between the EC and CMEA has been disappointing, neither party having officially proposed a comprehensive programme of joint action.

Of course, structural differences are playing a part in holding back co-operation between the CMEA and the EC. There are contrasting levels of integration in the two groupings: the EC has made considerable headway in creating a single market within its framework; the CMEA is currently only discussing prospects for such a market.

Then there is the formidable task of getting to know the intricacies of each other's bureaucratic processes. It will take time before CMEA experts get their bearings in the maze of EC legal technicalities, while the latter, for their part, will find problematical the paradoxes of endless co-ordination efforts intended to harmonise CMEA projects and plans.

But it is important for Brussels to recognise that the restructuring drive and economic reforms in the CMEA countries are an irreversible process, and that their inner logic leads inexorably to a recognition of the need for creating an integrated CMEA market in the future.

Economists in both East and West have voiced concern that future developments may ultimately lead to the partitioning of the European market into two independent and closed entities, with obvious repercussions on the prospects for economic co-operation and trade in Europe as a whole.

As Mr Eduard Shevardnadze pointed out to the ambassadors of the EC states in Moscow last week, CMEA/EC relations also have wider implications for East-West relations as a whole. Undoubtedly, progress in the East-West political dialogue, particularly the implementation of the Vienna accords, will create a favourable climate for developing relations between the EC and CMEA.

Margarita Maximova,
Institute of World Economics and International Relations, USSR Academy of Sciences, Moscow, USSR

FOREIGN AFFAIRS

The country with a dual personality

Edward Mortimer wonders if anything has changed in Italian political attitudes since the 1970s

Mr Ciriaco De Mita, the Italian Prime Minister, is in deep tronble. When he came to power last April many people hoped that, as the leader of Italy's perennial majority party, the Christian Democrats, he would be well placed to give the Italian state the authority it so blatantly lacks. But in the last few weeks everything has gone sour, and now his chances of remaining party leader after this coming weekend's conference are rated very low.

So what, you may ask. Much the same has been said 10 months or so into the term of office of just about every post-Second World War Italian government that has survived that long. De Mita is hardly a household name anywhere outside Italy. Whether or not he retains the leadership of his party, it is easy to predict that his Government will stagger on through one or more "crises", probably until the European elections in June, soon after which it will fall and Mr De Mita will be able to embark on the more enjoyable task of undermining his sncessor. Italians will go on making money, paying enough taxes to finance their politicians' very comfortable life-style hnt not enough to cover the cost of Italy's uotoriously inefficient public services. They will continue to grumble about both, and the Governor of the Bank of Italy will continue to issue periodic warnings (as he did last week) about the impending ruin of the Italian state.

Indeed, Mr De Mita's fortunes would probably not have attracted my attention had I not happened to be in Rome last week, listening to various Italians from the more cosmopolitan part of the country's élite talk about East-West relations, the future of the European Community (1992 And All That), and Italy's place in both. I tried to decide whether anything had changed since I used to visit Rome more frequently, in the 1970s.

Some things have. The irresistible rise of the Italian Communist Party has heen resisted, or at any rate has gone into reverse. No one talks about "Eurocommunism" any more, and Enrico Berlinguer, the man who made it fashionable, is dead. The great plague of terrorism also seems, touch wood, to have been conquered; and, while the Christian Democrats remain the largest party and an spparently indispensable component of every government, they no longer have the unquestioned right to provide the prime minister.

The 1980s have seen two non-Christian Democrat prime ministers, the Republican Giovanni Spadolini and the Socialist Bettino Craxi; and the latter remains the dominant figure on the political stage. It is no longer quite unthinkable thet he might repeat the achievement of François Mitterrand in France, overtaking the Communists and so offering for the first time the prospect of a left-wing alternative to the Christian Democrats.

The *sorpasso* that is talked about today is no longer the possibility of the Communists overtaking the Christian Democrats as the largest party but the question of whether Italy has or has not overtaken Britain as the world's fifth industrial power. That brings me to one thing that has not changed: the Italian obsession with how their country ranks in the world and what the rest of the world thinks of it.

Henry Kissinger recalls in his memoirs that each visit he made to Italy during his period in office "left me with the feeling that its primary purpose was fulfilled by our arrival at the airport. This symbolised that the US took Italy seriously; it prodnced photographic evidence that Italian leaders were being consulted. This achieved, Italian ministers acted as if they were too worldly-wise to pretend that their views on international affairs could decisively affect events."

That remains true to a certain extent. Italians very much dislike being taken for granted. (One reason for Mr Craxi's popularity is that in 1985 he stood up to the Americans, insisting that the hijackers of the Achille Lauro, who had been forced hy the US Air Force to land in Sicily, should be handed over to the Italian police and dealt with by Italian courts.) Yet, when consulted, the nature of their political system often prevents them offering clear or specific ideas.

Italy's instinct is always to seek a consensus — easier if an issue is blurred rather than clarified

A prize example occurred during the recent crisis over the alleged Libyan chemical weapons factory. Mr De Mita discovered in the nick of time that his defence minister (the Liberal — ie, conservative — Valerio Zanone) was about to tell a parliamentary committee that Italian intelligence largely accepted the US claims, while his foreign minister (the veteran Christian Democrat Giulio Andreotti) was going to tell the same committee the exact opposite. The solution to the problem was that neither, in the event, said anything much.

Somewhat similarly, Italy has taken no clear position on the issue currently preoccupying other Nsto governments: the timing of a decision on the updating of short-range nuclear missiles. The Italian instinct is always to seek a consensus, which is often easier if an issue is hlurred rather than clarified. "If you want a consensus, the best thing is not to ask a direct question," one senior civil servant explained to me.

This does not mean, he pointed out, that Italy is incapable of fulfilling her responsibilities in Nsto, or even outside the Nsto area, when action is required: be cited Italian participation in the Multinational Force in Lebanon (1982-4) and in the patrols in the Persian Gulf since 1987, as well as Italy's quiet acceptance of the re-basing at Crotone of the USAF "401st Wing" after its ejection from Spain. These things were achieved not by a vote in cabinet, but by one or two ministers taking a decision, and others preferring not to make a public issue of it.

Italians see themselves as model members of Nato, and clearly feel they are not given enough credit for it. They compare themselves with France, which left the military organisation in the 1960s, with Spain and Greece which argue about US bases on their soil, and feel virtuous by comparison, even suggesting that they are "singularised" hy their exposed position in the Mediterranean just as mnch as West Germany is by being the potential theatre of short-range nuclear war. "Italy feels and behaves as a European country in the Mediterranean and not as e Mediterranean country in Europe," Mr Zanone told last month's Munich *Wehrkunde* defence studies conference atteoded by Western defence ministers.

The truth is, as the late and much lamented Peter Nichols used to observe, that Italy has both these identities. He used the metaphor of the Centaur, torn between its two natures: northern and southern, European and Mediterranean. Mr Zanone speaks for post-war Italy, which has sought to exorcise its Mediterranean nsture hy joining northern Europe — "to scale the Alps" as Nichols put it. The north European reaction to this tends to be rather patronising. Most north Europeans cherish romantic fantasies about Mediterranean culture which Italians find tiresome.

The system of operating by consensus has many virtues, but one great defect. Without a pnblic debate about decisions, the difficulty of them is not apparent to outsiders; and so virtue, far from being its own reward, has a built-in tendency to make others take it for granted.

FINANCIAL TIMES
Tuesday February 14 1989

Ecu 'stagnating' despite approach of 1992

By Norma Cohan in London

THE IMPENDING ecooomic integratioo of the European Community has done little to expand use of the European Currency Unit (Ecu), the currency made up of those of EC members, according to a report published today by the Bank for International Settlements.

The BIS, the Basle-based bank which groups the world's major central banks, claims the role of the Ecu in international markets has stagnated over the past few years and has lagged behind some other non-dollar currencies.

"Closer monetary cohesion between EC member countries and enhanced confidence in the stability of the EMS exchange rate structure might stimulate Ecu business, although the narrowing in interest rate differentials between EC member currencies, which would be likely to accompany such a development, would at the same time reduce some of the Ecu's attractions," the report suggests.

The popularity of the Ecu may decline despite the removal of regulatory constraints such as exchange controls which might have been expected to promote common currency, the report adds.

The BIS says: "On balance, it is difficult to say whether in the years to come the Ecu will play a significantly more important role in the growth and evolution of the international financial markets than in the past."

The efforts of some EC governments to promote the Ecu by issuing short-term securities may in fact be undermining its use as a banking instrument, the bank says. The securities may limit banks' ability to obtain Ecu deposits by competing for the attentions of short-term investors.

The Italian and British governments issue Ecu securities with maturities of under one year, and France has announced its intention to do so.

According to BIS statistics, non-bank deposits in Ecu had actually falleo marginally to Ecu7bn ($6.32bn) by September 1988 from Ecu7.2bn at end-1985. This lack of growth, the BIS says, "suggests there is no great enthusiasm for the Ecu as a store of liquidity."

Since Ecu deposits are scarce, banks have had to create Ecus themselves for on-lending by "bundling" the constituent currencies together into artificial units.

In its study of the use of the Ecu between end-1985 and September 1988, the BIS says Ecu assets in reporting banks expanded by 62.3 per cent to Ecu104bn. But since this rate of expansion is roughly the same magnitude as that recorded for all non-dollar currencies as a group, the share of Ecu assets in the non-dollar sector has remained roughly unchanged.

Previously, the use of the Ecu in international financial markets had expanded dramatically in the early 1980s.

The uneven development of the market is partly the result of exchange rate uncertainties and the level of interest rates. In 1986, uncertainties within the European Monetary System reduced the attractiveness of the Ecu; stability in 1987 increased it.

● *International Banking and Financial Market Developments, February 1989. Bank for International Settlements, Monetary and Economic Department.*

Economic U-turn deepens Argentine turmoil

Gary Mead predicts an eventful run-up to the presidential election in May

Confusioo, conspiracy aod speculation, the three wicked sisters who play havoc in Argentine history, are waiting in the wings in preparation for May 14, when the nation elects a new president.

The arrival last week of Maria Estela Martinez de Peróo, widow of the former dictator, is just the latest addition to this dangerous mixture. She does not need to be in Argentina to fight her long-running legal battle to gain General Perón's millions. And she coyly refuses to be drawn on what role she may have in the forthcoming election, all the while beaming at unfortunate local TV reporters whose task it is to dog her every move.

The latest spate of confusion set in following a snap bank closure on Mooday, February 6. Argentine politicians have a habit of springing bank holidays on the public whenever an ecooomic "adjustment" is in the offing.

The recent one was more of a U-turn than an adjustment, with the determined tight mooetary policy of Mr José Machinea, the central bank president, being handed an equally determined kick in the teeth by Mr Juan Sourrouille, Minister of the Ecooomy. Interest rates had soared to a monthly 20 per cent. The pips of large borrowers were beginning to squeak.

The Argeotine Industrial Union, a confederation of industry, delivered a few kicks of its own, threatening to break its price restraint agreement with President Raúl Alfoosín. Uotil then it had been a protesting political ally of the Radical Government.

To preserve the shaky alliance, Mr Soorrouille had to shift ground. He devalued the official rate of australs to the dollar by 6.5 per cent for February, reintroduced a free-floating black market rate (which instantly rose 70 per cent above the official rate), and succeeded in reducing interest rates to 15 per cent a month – still 6 points above January's official inflation figure. Mr Machinea took what as thrown at him and bravely denied rumours of his imminent resignation.

Maria Perón: coy over what election role she may have

Mr Sourrouille also sanctioned a decision to cease selling US currency on demand from central bank reserves. Since August last year the Government has sold almost $2bn of its reserves to stabilise the austral.

That policy was wholly undermined in the first week of February, when $468m had to be sold, such was the rising rush to buy dollars. Whoever bought dollars before last week's black market devaluation of over 30 per cent did very well, a matter of much grief to commercial bankers who share a large slice of Argentina's $60bn foreign debt.

They have seen only $100m of interest (out of a possible $3bn for all 1988) paid since April last year. Little wonder that, as a New York investment banker said, "commercial creditors are openly laughing at the suggestion they should give more cash to Argentina in this situation."

Mr Alfonsín's Government now faces an economic crisis which could translate into political disaster, less than three months before the presidential election.

Mr Sourrouille's political task was to curb inflation, which was heading towards Peruvian levels, and to persuade the voter that Alfonsín-style democracy could be economically successful. A lesser consideration was to persuade the International Monetary Fund, World Bank and commercial bankers to hand out about $5bn.

But only the World Bank, turning a blind eye to Argentina's public sector chaos and the IMF's more rigorous understanding of macro-economic conditionality, felt the need to respond with $1.25bn in October – a decision it now, privately, much regrets.

Speculation suggests there will be no new money this winter and that inflation will break the magical monthly 10 per cent for February. Fiscal deficit problems, unattacked since December 1983 when Mr Alfonsín became President, which ferment the underlying economic chaos, are being compounded as the Government issues fresh treasury bonds to pull currency back into fast depleting coffers.

With a public debt of $10bn and interest rates at 15 per cent a month, the Government faces an explosive situation.

More immediately explosive is lack of explanation of who backed the La Tablada guerrillas in late January when armed left-wingers stormed an army barracks on the outskirts of Buenos Aires. Here conspiracy comes into its own. Among the rumours are the following:

The rebels were "in fact" a Nicaraguan-Cuban backed unit aiming to divert US attention from Central America; or "in fact" a CIA unit aiming to blacken the name of Nicaraguan-Cuban revolutionaries; "actually" they were infiltrated by Argentine military intelligence and were used to provide an excuse for the military in its fight to recover self-esteem and a political role in the state; and they were "really" led into their hopeless shoot-out by disinformation from a senior government minister, who could then use their defeat as a demonstration of government strength against "terrorism" and as a means of reuniting the army with society, thereby promoting the Radical Party's image as tough but fair.

The last assertion is being touted in the highest ranks of the oppositioo Peronist Party. That it has grounds for suspicion is unquestionable, given the alleged personal friendship between the minister in question and a dead guerrilla, Francisco Provenzano.

But so far the Perónists evidently do not have the proof for the scandalous revelations they have promised. If they do they will surely use it against Mr Alfonsín.

So far his party has only one claim on the electorate, a scrupulous record on human rights.

THE LEX COLUMN

The tricky art of correction

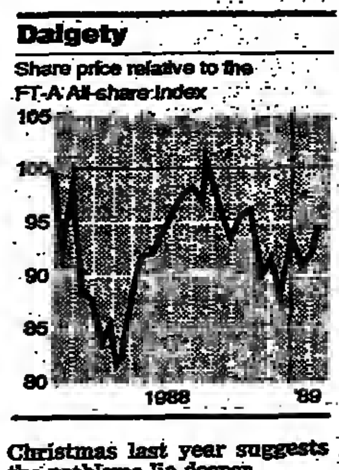
The optimist would say the equity market is behaving precisely according to plan: after the panic-stricken rush in January, the overshoot and the subsequent correction. This fits with the idea that recent official warnings on inflation and interest rates are merely a gentle reminder to the markets not to get ahead of themselves. But the FT-SE's modest decline of 60-odd points from its peak seems to take little account of yesterday's economic numbers, which were in some ways genuinely worrying.

The 1.5 per cent fall in retail sales must surely be an exaggeration, especially given January's freakishly warm weather. But it still looked bad enough to have the market reverting briefly to thoughts of a hard landing, and the combination with the inflationary rise in manufacturers' output prices looks ugly. Mr Lawson may be hitting the consumer, but producers are still enjoying enough of a boom to be able to widen their margins, and may find wage inflation correspondingly hard to resist.

In a sense, of course, none of this is new. In immediate practical terms, the market is more concerned with Wall Street – now undergoing the same damping down of expectations, in yet more decorous style – and with the psychology of UK fund managers. As to the latter, the snag about the cosy picture of a correctioo back below 2,000 and a more measured recovery is that everyone believes it. This may mean that everyone holds off, with the result that the market drops through 2,000 like a stone: conversely, fund managers may be intent on not being caught again, and the correction may not be allowed to run its course. In that case, the risk is one of exhaustion, with all the action crammed once more into the first two months of the year.

Phillips & Drew

The confidence, not to say the depth of the pocket, of UBS in deciding to stick with the dreadful business of London securities is quite astounding. The bank evidently feels that having already lost so much it would be silly to pull out, and hopes that things will be different now that it has disciplined its market-makers and sorted out the chaos of its back office. On the other hand, to lose £48m in the crash and the Blue Arrow fiasco was one thing, but to have continued to lose £30m between Easter and Christmas last year suggests the problems lie deeper.



Meanwhile, it is not encouraging that each fresh glimpse at the stock market's profitability delivers a further shock. Even though P&D is doubtless exceptional in the sheer scale of its losses, its figures suggest Citibank's guess at aggregate annual losses of £500m in the industry may not be so wide of the mark after all.

French takeovers

President François Mitterrand may have very good electoral reasons for the Fortress France routine with which he indulged French television viewers on Sunday night. A few words of good old-fashioned Socialist distaste for the market cannot come amiss at a time when share trading is in distinctly bad odour with the public; and putting the blame on foreigners would be the quickest way of dealing with it.

But if market scandals are cause for concern ahead of next month's local elections, the President can thank his fellow Frenchmen for the anxiety. The cases which are exercising the regulators at the moment are mostly Franco-French in nature; and if there is a wave of hostile foreign money waiting to swamp the Bourse, the market seems to have done fairly well at holding it off so far.

The market's best hope is that the spirit of 1992 will triumph in the President's breast; but it appeared scarcely convinced of that yesterday. Quite apart from the pall provided by Wall Street, Tokyo and London, the threat of takeover curbs deepened its gloom. But though chauvinistic restrictions are not what the market needs, there is plenty still to be done on the broader regulatory front. And if the political dimension of the recent scandals hastens that process, so much the better.

Dalgety

Others in the food industry may not be so lucky; but the market has so far been willing to ignore Dalgety's unfortunate connection with eggs in the interests of spending more time guessing whether somebody wants to buy the company. That is probably the correct response: even before Mrs Currie did her bit to transform the eating habits of the nation, Dalgety was making at most 3 per cent of its profits from eggs. And when that turns out to be a loss this year, it will scarcely be the end of the world.

But neither is it worth getting too excited about Dalgety's prospects as a bid stock. With the shares on a prospective rating of 10.8 times earnings, there is already more in the price than the prospect of 11 per cent earnings growth. Unless and until an intruder shows up on the share register, that may be all one can hope for.

Ecu

The Ecu has been on the verge of becoming a major currency from the outset, but has never actually arrived. The standard view – one strongly espoused by the Bank of England – is that there is plenty of latent demand out there somewhere; realising it is a matter of someone priming the pump hard enough, followed by some co-operation from the markets. But according to yesterday's report from the Bank for International Settlements, the Ecu may be stuck on the brink of acceptance for ever.

It seems that the process of European monetary integration, far from working wonders for the Ecu, may actually be doing the reverse. The lifting of capital controls has removed some of the special incentives to use Ecus, while the development of more sophisticated domestic markets has meant more competition. More worrying still, the move towards agreement on economic policies in itself is eroding the very purpose of the Ecu, which is a tool of risk management. When individual currencies and interest rates are volatile, investors may put up with the inconvenience of the Ecu in return for greater stability; but if that ceases to be the case, the DM would seem a more attractive alternative.



UNDER ARREST: Mr Hiromasa Ezoe, former chairman of Recruit (left) who is accused of bribing former directors of NTT, Japan's largest company, Mr Ei Shikiba and Mr Toshihiko Hasegawa (right). The three were arrested yesterday in connection with the scandal.

Executives held in Recruit scandal

Continued from Page 1

vants and bosinessmen to advance the group's interests.

Yesterday's arrests came after a meeting of the prosecutor's staff decided the sales of Recruit Cosmos shares constituted cash gifts. This is because, in Japan's buoyant stock market, it was a foregone conclusioo that the shares would soar immediately after the flotation.

Also, Recruit's finance subsidiary, First Finance, offered loans to favoured people with which to buy shares.

Although NTT has become a private company, the Government still holds a majority of the shares and NTT officials can be charged under laws prohibiting public officials from taking bribes.

Officials in the prosecutor'a office suggested yesterday's arrests were only a beginning. They are still trying to establish whether NTT's favours to Recruit, which included the purchase of a US-made supercomputer for the publishers in 1986, were dictated to some extent by the Government of Mr Yasuhiro Nakasone, the then Prime Minister, in an attempt to cool trade friction with the US.

Mr Hisashi Shinto resigned as chairman of NTT in December after it emerged that profits from sales of Recruit Cosmos shares had been deposited in his personal bank account.

Investigations are also continuing into the offering of Recruit Cosmos shares to senior Labour and Edncation Ministry officials.

Former Fiat chief to be Ford adviser

By Kevin Done, Motor Industry Correspondent

MR VITTORIO Ghidella, the former managing director of Fiat Auto, the Italian car manufacturer, who was ousted from the company in an internal power struggle last November, has signed a consultancy agreement with Ford Motor of the US, the world's second largest automotive group.

In an announcement yesterday, Ford said Mr Ghidella would act as an adviser to Mr Philip Benton, the president of Ford Automotive Group, "on a variety of worldwide automotive initiatives."

Mr Ghidella was one of the most widely respected European motor industry leaders during his 10 years as Fiat Auto chief and his name has been linked with several of the world's leading car companies since his surprise resignation.

He announced last mooth that he was planning to launch his own Milan-based international automotive consultancy.

His appointment with Ford renews the close links he forged with the company in 1985 when he led negotiations with Mr Robert Lutz, then Ford of Europe chairman, for the merger of the two groups' European design and manufacturing operations.

The talks foundered because of the failure of the parent companies to agree on how the joint venture should be controlled. Mr Lutz left Ford to join Chrysler in 1986 and is now president of Chrysler Motors.

Mr Ghidella left Fiat after a long-running conflict with Mr Cesare Romiti, Fiat group managing director who has also taken on Mr Ghidella's former role of managing director of Fiat Auto.

Ford refused to say yesterday whether the consultancy agreement could eventually lead to Mr Ghidella joining the company in an executive capacity. Mr Ghidella said last month that he was not interested in becoming an executive with any car company at present.

Mr Ghidella has been largely credited with leading Fiat's impressive recovery from crisis during the 1980s, which has made it the most profitable and most cost-efficient volume car maker in Europe and took it to the brink of leadership of the West European car sales league in 1988.

Fiat gets into gear, Page 22

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	C	12	54	Malta	S	14	57	Rhodes	S	14	57
Algiers	S	16	61	Edinburgh	R	11	52	Manchester	R	08	46	Rio de J'o	C	35	95
Amsterdam	F	04	39	Faro	S	16	61	Manila	F	29	84	Rome	C	16	61
Athens	F	13	55	Florence	S	14	57	Melbourne	F	24	75	Salzburg	C	02	36
Bahrain	F	19	66	Frankfurt	C	06	43	Mexico City	F	21	70	San Francisco	F	14	57
Bangkok	F	33	91	Funchal	C	17	63	Miami	C	21	70	Seoul	F	07	45
Barcelona	S	14	57	Geneva	F	05	41	Milan	S	16	61	Singapore	C	31	88
Beirut	R	10	50	Gibraltar	F	15	59	Montreal	C	-3	27	Stockholm	F	06	43
Belfast	C	09	46	Glasgow	D	09	48	Moscow	C	-1	30	Strasbourg	-	—	—
Belgrade	R	03	37	Guernsey	R	09	48	Munich	F	04	39	Sydney	F	28	82
Berlin	R	06	43	Helsinki	F	02	36	Nairobi	F	25	77	Taipei	C	18	64
Biarritz	-	—	—	H. Kong	F	17	63	Naples	C	13	55	Tangier	F	16	61
Bombay	S	29	84	Innsbruck	Sn	01	34	Nassau	C	26	80	Tel Aviv	C	12	54
Bordeaux	C	11	52	Inverness	R	11	52	New Delhi	F	20	71	Tenerife	F	21	70
Brussels	F	08	46	Islamabad	C	11	52	New York	R	08	46	Tokyo	F	09	48
Budapest	C	06	43	Istanbul	F	08	46	Nice	-	—	—	Toronto	Sn	-1	30
B. Aires	R	36	96	Jakarta	R	30	86	Nicosia	F	11	52	Tunis	C	15	59
Cairo	F	15	59	Jersey	F	09	48	Oporto	S	16	61	Valencia	S	16	61
Cape Town	F	22	72	Jo'burg	R	18	64	Oslo	C	08	46	Venice	S	09	48
Caracas	C	24	75	Lima	F	28	82	Paris	C	12	54	Vienna	F	08	46
Casablanca	S	17	63	Lisbon	F	17	63	Peking	S	09	48	Warsaw	C	05	41
Chicago	Sn	-1	30	London	R	08	46	Prague	F	02	36	Washington	F	-1	30
Cologne	S	07	45	Los Angeles	C	17	63	Reykjavik	C	-1	30	Zurich	F	06	43
Copenhagen	S	07	45	Luxembourg	C	01	34								
Corfu	S	13	55	Madrid	S	09	48								
Dallas	D	12	54	Majorca	S	17	63								
Dublin	R	11	52	Malaga	S	17	63								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Union Bank hit by losses

Continued from Page 1

cent of turnover. Mr Mueller said he had told the Bank of England that UBS would consider withdrawing from that market unless the rules were changed to reduce the number of participants. However, UBS views gilts in conjunction with its profitable futures dealing business and sees prospects for dealing in instruments which combine the two markets.

On the fund management side, results have been flat. Mr Mueller said that after an intensive review of its London operations, UBS had decided to continue with its commitment to London because of its overall importance to Europe. More conservativs dealing policies had been instituted with the emphasis on quality, and a new management information and accounting system designed by Arthur Andersen, the accountancy firm, was being installed.

A new combined operation called UBS Phillips & Drew had been created in order to provide strengthened management control.

Soft words from UK over cheese

Continued from Page 1

suggested last night that French cheese producers might seek compensation.

Mr Nallet has sent a letter to the British authorities seeking clarification on this point, but it is understood that Mr MacGregor confirmed at yesterday's meeting that no such cases have been found.

British officials were clearly embarrassed by the confusion and Mr MacGregor was at pains to stress that the advice had only been made to "certain groups"

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday February 14 1989

INSIDE

Fiat powers its way down Wall Street

FIAT

Over breakfast this morning Gianni Agnelli of Fiat and John Phelan, president of the New York Stock Exchange, will have their minds on just one thing: the start of Wall Street dealings in American Depository Receipts representing shares in the Italian motor group. Much publicity and even a trans-America road show for investors are planned. Alan Friedman explains the reasons for all the razzmatazz. Page 22

Flying Finns grab the baton

The world's largest stock markets ran out of steam last week, handing over the baton to their smaller cousins. Finland came out top in the sterling performance league with a 7.9 per cent jump, while, among the leading global markets, only Japan managed a small gain on the week and tha US and Canada fell back by more than 2 per cent. Page 42

Recipe for transatlantic wrangle

Universal Foods, the Wisconsin-based fermenter of baker's yeast, has becoma an unwilling catalyst to a transatlantic row between Berisford International, the UK sugar processor and commodities group headed by Ephraim Margulies (left), and its largest shareholder, Associated British Foods. While Universal tries to fend off the advances of Amanda Acquisition, subsidiary of a Berisford affiliate, ABF is demanding to be consulted on the matter. Page 28

Windfall from Hurricane Joan

Nicaragua is hoping to salvage something from the mess left by Hurricane Joan last October. While laying waste to a larga part of the country's already battered economy, the hurricane has also provided a valuable windfall in the form of naturally felled trees. Efforts are being made to attract foreign companies able to collect the timber before it decays or is destroyed by forest fires. Page 30

Belgian red letter day

Many Europeans are obsessed with 1992. But for Baron Paul-Emmanuel Janssen, the man who took over the reins at Belgium's premier bank, Banque Générale, at the beginning of this year, the key diary date is February 1991. That is when he and his executive team hope to consummate the ambitious merger plans they have formulated with Amro Bank of The Netherlands. As a first step the "allience" consisted of each side taking just under 10 per cent of the other's capital, with a co-operation agreement intended to serve as the basis for co-ordinating tha two banks' international activities. The final aim, however — to be achieved within an agreed three year "engagement" period — is to set up a fully integrated multinational banking group with a single chairman, a single executive committee, and a single balance sheet. Page 24

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			Locindus	839	+ 30
Falls			Locabail	705	+ 20
B. Babcock	178	− 4	**Falls**		
Kaufhof	418.5	− 16.5	Avion Dassault	720	− 55
Lufthansa	172.5	− 3.5	Nord-Est	152.5	− 10.5
Mannesmann	221.5	− 6	Vallourec	314	− 19.5
Viag	280.2	− 5.3	**TOKYO (Yen)**		
Volkswagen	320	− 7.7	**Rises**		
NEW YORK ($)			Hitachi Chem.	1050	+ 200
Rises			Nagoya Rail	1380	+ 170
Champion Prods	75⅜	+ 12⅞	Towa Real Est.	1300	+ 200
Emery Air	7⅞	+ 1⅞	**Falls**		
Johnson & J.	90⅞	+ 4⅜	Nippon Gas	1050	− 70
Long Isla Light	14⅝	+ 1⅝	Shinko Elect.	1600	− 140
Falls			Tokyo Tekko	1860	− 150
Cons Freight	32	− 2⅝			
Cons Rail	53⅝	− 4⅜			
PARIS (FFr)					
Rises					
Locafrance	459	+ 13			

New York prices at 12.30.

LONDON (Pence)			Gen. Accident	978	− 11
Rises			GUS A	1087xd	− 31
Alphameric	117	+ 15	Hammerson A	793	− 10
Bridgend Grp.	55	+ 15	ICI	1184	− 13
Fairline Boats	631	+ 20	Land Sec.	571	− 10
Lowndes	71	+ 5	McAlpine (A.)	342	− 20
MGS	90	+ 7	Robinson (T.)	473	− 10
Wace Dev.	524xd	+ 35	Rowntree	539	− 14
SAC Int.	133	+ 16	Sun Alliance	1111	− 19
Zetters Grp.	185	+ 15	Sun Life	990	− 19
Falls			Ultramar	292	− 10
Brit. Land	351	− 15	Woolworth	272	− 10
Burmah	534	− 10			
Eng.China Clays	495	− 11			
Eurotunnel	725	− 20			

Lower car sales depress Daimler-Benz

By Andrew Fisher in Frankfurt

NET PROFITS of Daimler-Benz, the diversified West German motor group, showed a slight drop last year, weighed down by lower car sales in domestic and US markets. Truck sales, however, picked up sharply.

Although Daimler has moved strongly into electronics, defence and aerospace in recent years, its business is still predominantly in cars and trucks. Its planned majority stake in Messerschmitt-Boelkow-Blohm, the aerospace company, will mark a further shift from automobiles.

Vehicles accounted for three-quarters of last year's group turnover of DM73.4bn ($40bn), which rose by 9 per cent. However, while car sales edged up by only 1 per cent to DM32bn, truck sales moved sharply ahead by 18 per cent to DM28bn, thus continuing the reversal of several poor years in the heavy vehicle sector.

Despite stating that profits would be marginally lower – analysts have been expecting a decline – Daimler described last year's results as "satisfactory." In 1987, group net profits showed a minimal 0.8 per cent increase to DM1.8bn. Daimler has already said it will hold its dividend for 1988 at DM12 e share.

Car sales of the Stuttgart-based concern suffered in several ways last year. Foreign sales, especially in the US, were hit by the stronger average level of the D-Mark.

US sales of Mercedes fell by 7 per cent to 84,000 cars, though the group noted this was less than the declines suffered by other companies.

In Germany, the discussion over the environmental impact of diesel models led to e slump in sales of Mercedes diesel cars.

Total group car output fell by 6 per cent to 560,000 units, including a 21 per cent fall in diesel car prodnction to 158,000. Overall, German sales were 4 per cent lower at 271,000 cars.

Strong competition from BMW has also been harming sales of Mercedes cars, though Daimler did not mention this factor.

This led to a 14 per cent fall in prodnction of Mercedes S-class and other np-market models to 83,500 units last year.

Contrasting with the decline in cars, Daimler's truck outpnt showed a 10 per cent improvement to 258,000 vehicles, of which 154,000 (a rise of 7 per cent) were made in Germany.

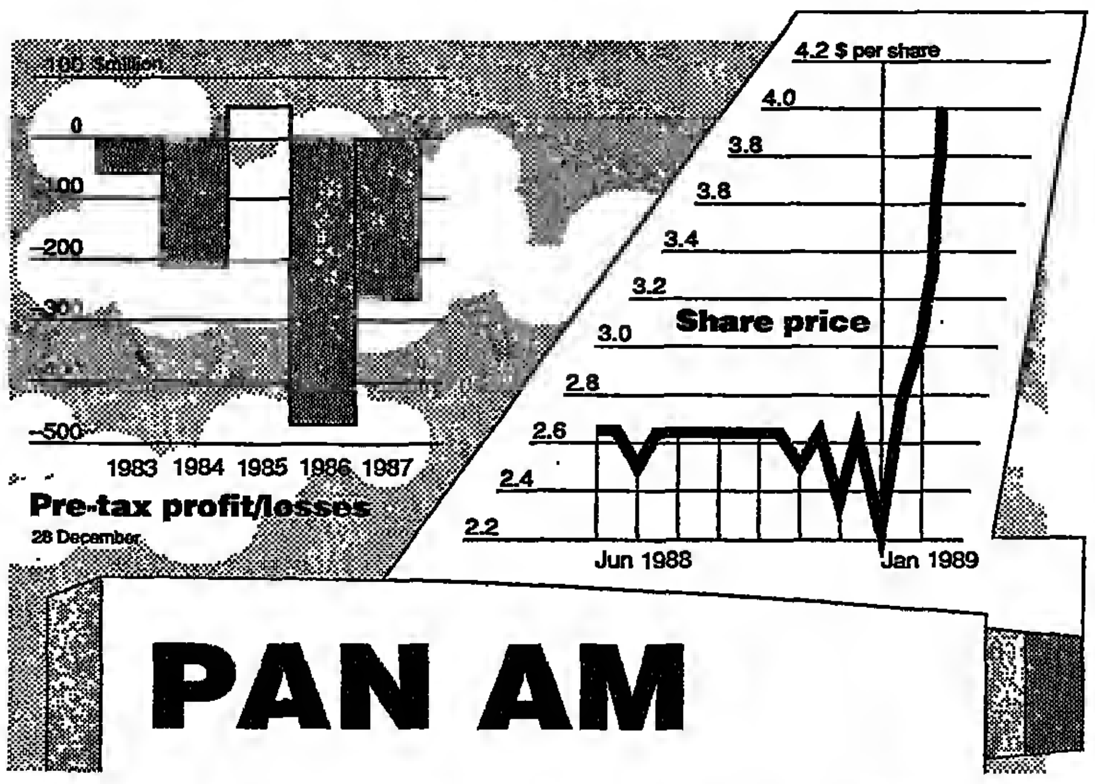
Foreign production was 16 per cent higher at 104,000 trucks, with strong expansion in Spain and Sonth Africa and a more moderate rise in Brazil, Daimler's largest non-German truck manufacturing site.

This year, Daimler bopes to benefit from modal changes, including its new Roadster sports car and cleaner diesel models.

Higher turnover and profits are also likely this year from the non-vehicle subsidiaries. Daimler gave brief details of their 1988 performance, with AEG (electronics) raising turnover by 14 per cent to DM13.3bn; Dornier (aerospace) hy 18 per cent to DM1.9bn; and MTU (non-vehicle engines) by 9 per cent to DM3.3bn.

Off on a flight of fancy

Anatole Kaletsky in New York takes a down-to-earth view of Pan Am's soaring share price



Even against the background of the renewed bull-market spirit on Wall Street, there ought to be some curiosity value in a stock that has almost doubled in a single month. When it is the stock of a company with one of the world's most famous brand names, with a unique international franchise and in an industry that is beginning to reap the rewards of some of the most extensive restructuring ever undertaken in the US, one would have thought that Wall Street would be salivating with excitement.

Instead, the stock-market analysts' response to the performance of Pan American World Airways, whose share price has jumped from $3¼ early last month to $4¾ yesterday morning, has been little more than a collective yawn. Even a statement by Mr Thomas Plaskett, the Pan Am chairman, that his company was effectively up for sale, has failed to excite much interest on Wall Street.

If Pan Am were being boosted simply by takeover hopes there would indeed be grounds for scepticism. After all, the struggling and desperately over-indebted carrier, which has lost an aggregate of more than $2bn in the last five years, has been the beneficiary of takeover rumours many times before. In the last three years, Pan Am has been actively and publicly considered as a potential merger partner by American Airlines, as well as by three of the most respected takeover barons on Wall Street – the Pritzker family of Chicago, which runs the Hyatt hotel chain and Braniff Airlines; Mr Kirk Kerkorian, the Las Vegas entertainment magnate; and Sir James Goldsmith, the Anglo-French raider.

The merger interest in Pan Am was not surprising, since it commanded a unique collection of oligopoly assets in the form of its franchises over some of the world's busiest air routes. Its New York-Heathrow, New York-Frankfurt and New York-Washington-Boston shuttle operations, in particular, could not be duplicated by another carrier at any price. Yet, ultimately, all the potential partners backed away from Pan Am for four essential reasons: a long-term debt burden of over $900m; an unfunded pensions liability of around $500m; a high-cost structure which made it impossible to compete profitably against the increasingly lean and efficient airlines that were being knocked into shape not only in the US but also in Europe; and a history of antagonistic labour-management relations which threatened to infect any other airline business that might be merged with Pan Am.

Therefore, it is not surprising that many analysts today consider an acquisition of Pan Am unlikely. As Ms Helane Beckker of Shearson Lehman Hutton, one of the few Wall Street analysts who still follows Pan Am closely, points out:

"I think everybody who might have been interested in Pan Am has already had a good look at it. And they've all said no."

Why then have investors been buying Pan Am's stock, repeatedly placing it among the most active issues on Wall Street? According to Mr David Treitel of SH&E Inc, a leading aviation consultancy in New York, there may be more than mere takeover speculation behind Pan Am's stock performance.

Three new factors came into play in January. First, Pan Am managed to raise $115m by selling to American Airlines the 50 orders and options it held for delivery of A320 Airbus aircraft it no longer needed, significantly improving its cash position. Second, the company last week reached a cost-cutting labour agreement with the Transport Workers, its biggest union, ending five years of continuous dispute with one or more of Pan Am's employee groups. Third, the mechanics union at Eastern Airlines, Pan Am's only competitor on the New York-Washington-Boston shuttle, announced that it would probably go on strike early in March, which could give Pan Am a substantial boost.

However, do these new-found boons justify the market doubling the value of Pan Am's equity from $300m to $600m? The company's balance sheet, after all, still shows a "negative net worth" of over $300m.

A definitive answer, according to Mr Treitel, could take a year or two to emerge. This is how long it would take Pan Am's results to reflect the full benefit of $170m annually in pay concessions and the results of a new business plan.

Of course, Pan Am's management would probably prefer not to wait that long. This was the clear implication of Mr Plaskett's comment that he would favour a merger or at least an injection of some new finance.

Given the new-found prosperity of the whole US airline industry and the possible improvement in Pan Am's own financial condition, a merger may now be more plausible than it was a year ago, despite the scepticism on Wall Street – especially if Mr Treitel is right in his analysis of the airline's new labour contracts. Mr Treitel believes that by 1992-93, a growing Pan Am could become one of the lowest-cost carriers in the US. It is another question whether Pan Am can grow, or even survive, that long.

Shareholders reject Bond bid for stake in own HK subsidiary

By John Elliott in Hong Kong

A MEETING in Hong Kong of predominantly local Chinese shareholders yesterday overwhelmingly rejected by a three-to-one majority the controversial bid by Mr Alan Bond, the Australian entrepreneur, to buy out the 33.8 per cent public holding of his Hong Kong-based Bond Corporation International.

The defeat was a major reversal for Mr Bond's strategy of buying complete control of his company et a price well below net asset valne. However, it did not surprise Bond exeentives because the rejected buy-out bid of HK$2.20 a share was made last October when the quoted share price was around HK$1.49.

Last Friday it closed at HK$2.32 and was briefly suspended at HK$2.45 at noon yesterday – rising to HK$2.52 after the rejection was confirmed. "Sbareholders are unlikely to accept HK$2.20 when the market is higher," Mr Peter Lncas, BCI's managing director in Hong Kong, told the meeting.

There was wide speculation that a bid would soon be mounted hy one of Hong Kong's ricb Chinese entrepreneurs, either for the whole company or for its major asset, a 50 per cent stake in the Bond Centre.

Located in the middle of the colony's office area, the 46-storey office development's valne bas risen in a property boom from HK$1.9bn (US$243m) at the beginning of 1987 to an estimated HK$5bn-HK$6bn.

Any such sale would not only offset Mr Bond's defeat yesterday but could also provide him with a large profit to help fund his ambitions in other parts

HKR Properties, a Hong Kong development company and a significant minority shareholder, helped precipitate the defeat of the buy-out by making an unsuccessful HK$3-a-share conditional offer for Bond Corporation of Australia's 66.2 per cent holding two weeks ago. This drew attention to the relatively low level of the Bond offer.

A spokesman for Anglo Chinese Finance, HKR's advisers, said last night that it was considering whether to make a fresh offer as part of a review of its alternatives.

Mr Lucas said after the meeting that his company was always willing to listen to "any offer from any quarter" but bad none on the table.

The Bond Corporation did not have any "present intention" to expand its bolding in BCI, nor would it mount a new bid to buy ont tbe minorities in Hong Kong's currently depressed stock market.

Guinness may employ Chevalier

By Paul Betts in Paris and Lisa Wood in London

GUINNESS, the UK drinks group, is considering employing Mr Alain Chevalier, the deposed chairman of Louis Vuitton Moet Hennessy, the French drinks and luxury products group, as a consultant.

Mr Chevalier resigned as chairman last month after losing out in a battle for control against Mr Bernard Arnault, the new chairman. The talks between Guinness and Mr Chevalier, a close personal friend of Mr Anthony Tennant, Guinness's chief executive, fuelled speculation of tensions between Mr Arnault and Guinness. The two are partners in a joint holding company which now controls about 45 per cent of LVMH's capital on a fully diluted basis.

LVMH and Guinness yesterday sought to pour cold water on such speculation. In a joint statement, they denied that Guinness had signed a contract with Mr Chevalier, bnt said it had discussed the possibility of him acting as a consultant to study "specific diversifications" outside the existing businesses of the two companies.

Mr Alain Chevalier: study "specific diversifications"

Industry observers suggested this could involve Hediard, Guinness's chain of 10 food and wine shops in Paris and Lyons.

Mr Chevalier joined the Guinness board last year when the two companies took cross shareholdings. It is expected that when Mr Chevalier steps down from the Guinness board Mr Arnault will take his place.

Mr Arnault rapidly increased his stake in LVMH last month when he felt threatened by a reconstruction plan for the group backed by Mr Chevalier.

Tha Commission des Operations de Bourse (Cob), the French stock exchange watchdog, is investigating share dealings in LVMH in the first week of Jannary, just before Mr Chevalier was forced to resign to make way for Mr Arnault. This investigation, to which President Francois Mitterand drew attention in a weekend television interview attacking stock market morals, has cast a cloud over Mr Arnault's rise to head the company.

The Cob has said that the investigation could lead it to re-examine whether Mr Arnault took control of LVMH with Guinness during his stock market raid last month. If so, be could be forced by the Cob to make a full offer to all other shareholders at the same price he paid for his controlling block, estimated to be about 15-20 per cent higher than today's LVMH share price.

UK food scare affects Dalgety

By Clare Pearson in London

DALGETY, the food, agribusiness and commodity group, yesterday became the first UK public company to report results hit by the current British food safety scare, announcing that its egg production and packaging division had moved into loss in the first half.

Dalgety is Britain's second-largest egg producer, bnt this division forms only a small part of the group, which was able to announce pre-tax profits 9 per cent higher at £51.7m ($90.3m) in tha six months to the end of December, on turnover up from £2.28bn to £2.33bn.

Tha remark by Mrs Edwina Cnrria, wbo snbsequently resigned as junior health minister, that most British egg production was infected by salmonella, was enough to wipe out Dalgety's profits from egg prodnction – even though the statement came only weeks before the end of the interim period. The company did not quantify the loss.

Deliveries are running at about 80 per cent of last year's levels and Dalgety is also expecting a loss for the full year. However, it stressed this would not have a material effect on the group's profitability.

Mr Terry Pryce, chief executive, said: "Even in the best conditions, eggs would account for less than 3 per cent of our pre-tax profits." The company has about 10 per cent of the UK egg market.

Mr Pryce said the high standards already maintained by Dalgety companies should mean that tougher food regulations would have a beneficial effect on the company. He noted that Dalgety's exposure in the UK to chilled foods, expected to be affected by concerns over the listeria bacteria and salmonella, was very limited.

Dalgety said its first-half performance, which included a rise in earnings per share to 15.2p (13.6p), was sound in the context of mixed market conditions. The interim dividend is increased to 6.5p (6p).

Australian agribusinesses, Spillers Foods and food ingredients all performed well.

Lex, Page 20

Mixed results from GM's non-motor side

By Roderick Oram in New York

MIXED RESULTS yesterday from General Motor's non-automotive subsidiaries left undented the certainty that the world's largest vehicle maker will today report record earnings for the full group.

Wall Street is expecting a jump of at least 30 per cent in GM's net profits, surpassing the old record of $4.52bn, or $14.27 a share in 1984. Mr Roger Smith, GM's chairman, said early last month the company would post record profits, reflecting sharply higher vehicle production and extensive cost cutting.

In contrast, General Motors Acceptance Corp, GM's consumer finance subsidiary, reported lower full-year net profits of $1.19bn, against $1.45bn.

The year earlier figure was affected by quicker amortisation of the capitalised value of the servicing portfolio aquired when GMAC bought some mortgage operations. Fourth quarter net profits were slightly higher at $257.4m, against $235m a year earlier.

GMAC attributed the 1988 decline to narrower interest margins between the rates on outstanding loans and the cost of borrowed funds. Losses on bad loans and loss provisions were also higher last year.

It financed the purchase of 2m cars and trucks in the US last year, down 22 per cent from 2.6m a year earlier. Financings abroad totalled 511,000 vehicles, up from 492,000.

EDS, GM's data processing and computer systems subsidiary, turned in net profits of $384.1m, or $3.15 per GM E series share, against $323.1m, or $2.65 a year earlier. Revenues were $4.84bn against $4.43bn.

Fourth quarter net was flat at $103.4m, or 85 cents, against $104.2m, or 85 cents, a year earlier on revenues of $1.3bn, against $1.19bn.

The subsidiary, sold to GM in 1984 by Mr Ross Perot, the Texas billionaire, said it benefited in the latest quarter from a 30 per cent growth in its traditional lines of business and from the signing of several long-term contracts with GM.

Analysts are watching closely because Mr Perot has re-entered the business. He has formed a new company that has hired several key EDS executives.

Johnson & Johnson hits record $974m

By Karen Zagor in New York

JOHNSON & JOHNSON, the large US health and household products company, yesterday reported record sales and earnings for 1988. The company also announced plans for a two-for-one stock split and a 16 per cent increase on the dividend for its common stock.

Net earnings for the fourth quarter were up by 12.9 per cent to $184m, or $1.11 a share, compared with $163m or 95 cents last time. Revenues improved by 8.5 per cent to $2.20bn from $2.03bn the previous year.

For 1988 as a whole, Johnson's net profits rose by 16.9 per cent to $974m or $5.72 from $833m or $4.83 from the previous year. Total revenues increased by 12.3 per cent to $9bn from $8bn a year ago.

For both the quarter and the year, Johnson saw the biggest growth in revenues in the international pharmaceutical market. Revenues for the quarter rose by 14.4 per cent to $341m from $298m, while the improvement for the year was 18.8 per cent to $1.38bn from $1.14bn.

The area of slowest growth was the domestic consumer sector, where sales for the quarter advanced by 4.6 per cent to $390m from $373m. Sales for the year were up 6.4 per cent to $1.9bn from $1.8bn.

For the year, Johnson's overall sales rose more sharply on the international market than at home. International sales jumped by 15.1 per cent to $4.42bn from $3.85bn the previous year. On the domestic front, sales were still strong, with an improvement of 9.8 per cent to $4.58bn from $4.17bn previously.

The announced stock split is still subject to approval at the company's annual meeting on April 26. If the split is approved, one additional share will be issued for each one held.

The dividend would be 29 cents a share after the split against 50 cents a share at present, which would be payable on June 6 to stockholders of record on May 26.

Fiat gets into gear for US investors

Alan Friedman reports on today's Wall Street launch of an Italian car group's ADRs

AT eight o'clock this morning, in New York, Mr Gianni Agnelli, the head of Fiat, and the top financial men from his Italian car group will sit down to a largely ceremonial breakfast with Mr John Phelan, president of the New York Stock Exchange (NYSE).

At 9.30am, on the NYSE floor, a gong will sound and the two men will shake hands, pose for photographers and swap plaques commemorating the Wall Street listing of Fiat's American depository receipts (ADRs).

By the end of this week Fiat will have taken its road show to investors in New York, Philadelphia, Boston and Chicago, with video-conference links to Los Angeles, Dallas, San Francisco and Denver.

In Europe the ADR listing is awaited eagerly by institutional investors, brokers and Fiat-followers. For while Fiat is a glittering name in the European car industry its share performance has been distinctly lacklustre since the end of 1986. This was when Deutsche Bank disastrously handled an attempt to place the bulk of Colonel Gadaffi of Libya's $3.1bn of Fiat shares.

Put simply, the Fiat shares – which along with those of Generali are the leading blue chips on the Milan bourse – have performed poorly.

The Libyan overhang of Fiat share has been one of the main reasons why the Milan bourse has drifted aimlessly since the end of 1986, and why the Fiat share price has fallen by 43 per cent despite excellent financial results from the company.

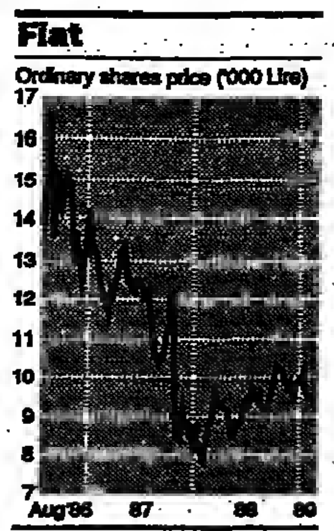
In 1986, when Mr Agnelli felt he needed to get rid of his second largest shareholder in order to win contracts for the US Strategic Defence Initiative, Libya was persuaded to sell its 15 per cent stake in Fiat.

Fiat asked Deutsche Bank to undertake what was to have been the biggest ever Euro-equity share placing. In the event it turned out to be the biggest ever Euro-equity flop.

Fiat's share price, on the day the Libyan deal was concluded, soared to a high of L16,600 ($12), a level the stock would never again come near to and which was reached at least partly because of substantial – and publicly acknowledged – purchases of Fiat shares by Mr Agnelli's own family holding company.

The Agnellis then bought a third of the Libyan stock, funding the purchase with an extraordinarily elaborate piece of financial architecture that has since become the target of a judicial investigation by a Turin magistrate.

The 1986 Fiat-Libya deal saw dozens of international banks stuck with hefty book losses and Fiat shares that are now worth less than L10,000. In 1987, a year after the Libyan deal, Ms Dagmar Bottenbruch, a London-based First Boston analyst who is otherwise bullish on the Turin group summed up the situation: "We believe the problem is a serious hangover from the secondary offering of the Gadaffi shares."



THIS highly publicised Euro-equity placement left behind disgruntled syndicate members, disgruntled investors, Deutsche Bank as a major Fiat shareholder, and fear that should the price ever move again the parked shares would be dumped on to the market to minimise losses.

Deutsche Bank, well aware of the awkward situation, last June did the honourable thing and announced its decision to consider the $550m of Fiat shares it owned – by 1988 worth only $331m – as a "permanent participation." And today, half of the 5 per cent of Fiat stock owned outside of Italy is in the hands of Deutsche Bank.

Ms Bottenbruch praises both the Deutsche bank decision and today's ADR listing in New York as "attempts to internationalise the shareholder base which are crucial in order to relieve the excess supply of Fiat stock on the Milan bourse."

Ms Bottenbruch, like many other analysts who follow Fiat, bemoans what she terms "a general psychological problem people still have with Fiat shares because of fear about the Libyan hangover."

Mr Ulrich Weiss, a top Deutsche Bank executive who has just been appointed to Fiat's board, said as much last week when he admitted to an Italian magazine that "the disappointing performance of Fiat shares in the last year can be attributed also to the fact that many bank underwriters in our consortium have not been able to place the stock on the market."

Mr Weiss said that selling orders over the past 12 months had "conditioned the share price." Indeed analysts in Milan and London and bankers in Frankfurt say that recent experience shows that each time the Fiat share price rises above L10,000 some institutional investor dumps Fiat stock on the market, forcing the price back below the L10,000 mark.

Fiat says its aim in getting ADRs listed on Wall Street is to enlarge its non-Italian shareholder base from 5 to 10 per cent. The company does not need to raise cash and will not be offering any new shares in New York in the short or medium-term, according to a Fiat spokesman in New York.

ABOVE all the ADR listing will increase the visibility of the Fiat group in the US, where annual sales of $1bn represent 3 per cent of the group's total $33bn turnover.

Whether American investors will find Fiat's ADRs an attractive buy is hard to say. On the basis of such fundamentals as price/earnings ratio or yield (7.5 and 2.9 per cent respectively) Fiat is far less appealing than US car stocks such as Ford or GM.

And given the way the Agnellis, who own 40 per cent of Fiat, consider the company as a family business, buying Fiat shares does not offer Wall Street investors much more than a ticket to ride along as a weak minority shareholder.

Mr Cesare Romiti, Fiat's managing director, is even on the record as saying he does not believe in the philosophy of public companies because "one needs a padrone."

The Italian press is treating today's visit to Wall Street by Mr Agnelli as an emblem of national pride, which is not surprising given the width and breadth of Fiat as the country's most powerful private sector concern.

But the real hope of European shareholders is that enough Americans can be coaxed into acquiring Fiat stock to alleviate the pressure still felt from the 1986 Libyan deal. And it is by no means certain that an ADR listing, regardless of how well publicised it may be, can do the job.

General Signal to set up research centre in UK

By Terry Dodsworth, Industrial Editor

GENERAL SIGNAL, the US industrial group, is to develop a £2.5m research and technical centre in the UK as part of its plans to expand its semiconductor equipment manufacturing business in Europe.

The move follows General Signal's acquisition of GCA, another American producer of chip manufacturing equipment last June.

It will be accompanied by the establishment of a new marketing and support organisation in Europe which brings together the operations of the two companies.

The purchase of GCA allowed General Signal to increase its size in the semiconductor sector by about 50 per cent, considerably strengthening its position in Western Europe.

With semiconductor equipment sales of $100m in the region, it claims to be the second largest group of its kind behind Nikon, the Japanese company.

General Signal's decision to invest in the new centre, where customers will be able to train in increasingly complex chip production techniques, coincides with expectations of a surge in semiconductor plants in Western Europe.

Dyno Industrier advances

By Karen Fossli

DYNO INDUSTRIER, the diversified Norwegian group with main interests in chemicals and explosives, yesterday reported record pre-tax profits for 1988 of NKr320m ($36.2m), against NKr219.8m last time. The group forecast increased turnover and further improvement in the current year despite uncertainty in Norway's economy.

Acquisitions and internal growth boosted sales by 25 per cent to NKr5.6bn. Dyno's markets abroad for 71 per cent of annual turnover.

Domestic machinery was the only area in which the group suffered a setback in sales last year.

The company's operating profit rose by 35 per cent to NKr401m, compared with NKr297m in 1987, while earnings per share hit NKr11.10, against NKr8.90, in 1987 only to be beaten once in the last five years in 1984 when it reached NKr12.40.

Sales of explosives, which account for half of Dyno's turnover, saw the greatest improvement, thanks to the strength of the American and Swedish markets.

Biogen reduces losses to $1.2m

BIOGEN, the US biotechnology company, has dramatically reduced its losses from $22.6m in 1987 to below $1.2m last year, thanks to strong revenue growth from a diversified product line writes John Wicks.

The company, whose net losses amounted to nearly $70m for the period 1985-87, last year doubled revenues to $30.2m from $15.1m, while reducing expenses by 11 per cent to $31.4m dollars.

The loss per share was cut from $1.02 to only 5 cents, and included a gain on the sale of a Swiss plant.

Krupp names board head

By Andrew Fisher in Frankfurt

FRIED. KRUPP, the troubled West German steel and engineering group which expects to report pre-tax losses of up to DM100m ($54m) for 1988, has finally found someone to succeed Mr Berthold Beitz when he steps down as head of the supervisory board in June.

After Mr Alfred Herrhausen, chairman of Deutsche Bank, turned the position down because it would take up too much time, Krupp has chosen Mr Manfred Lennings, former head of the Gutehoffnungshütte (GHH) engineering group, to run its supervisory board.

Mr Lennings, 54, resigned abruptly from GHH just over five years ago after falling out with its supervisory board after trying to intervene personally to sort out problems at its large and, then, heavily loss-making MAN truck and engine subsidiary.

Since then, the group has been restructured under the MAN name, its headquarters shifted from the Ruhr to Munich, and its finances restored.

INTERNATIONAL COMPANIES AND FINANCE

RTZ welcomes a new Namibia

Anthony Robinson on the bright outlook for the Rössing mine

For the UK-based RTZ Corporation, the prospect of imminent independence for Namibia is a far less daunting prospect now than it seemed a decade ago. As the creative force, major shareholder and manager of Rössing, one of the world's biggest uranium mines, sited in the heart of the Namib desert, the mining house could even be one of the main gainers from the end of 74 years of South African rule over this UN trust territory and former German colony.

At least, this is the hope of senior mine management who believe that the provisions of the US Comprehensive Anti-Apartheid Act will cease to apply to Namibia once it is divorced from Pretoria. At present, says Dr Steve Kesler, assistant general manager, "we are not able to sell uranium directly from Rössing to the US." The careful phrasing suggests that, despite restrictions, some of the 4,600 or so short tons of high-grade U_3O_8 uranium oxide currently produced annually by this 3km-long open-cast mine eventually finds its way to US utility companies.

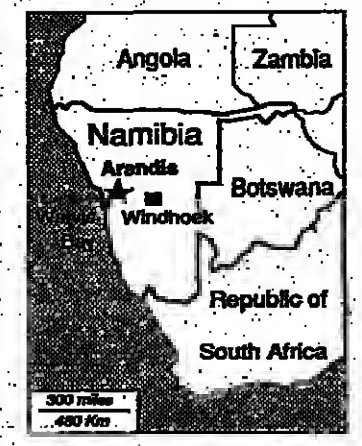
The likely path is through the depressed international spot market, despite the formal embargo on uranium imports from South Africa and Namibia. However, the bulk of Rössing's output, exported by the container-load in 400kg steel drums via the South African-controlled port of Walvis Bay 80km from the mine, is sold on long-term contract, mainly to nuclear power utilities in the UK and Europe.

The problem in recent years is that contracts have not been renewed on expiry, due mainly to the efforts of anti-apartheid lobbies. These groups regularly disrupt the RTZ annual meeting in London, single out utilities using Namibian uranium and protest against the "rape" of Namibia by the multinationals. As a result, the mine is producing at only around 80 per cent of capacity.

However, with the R400m ($164.3m) start-up investment now fully recouped, the high-technology mine is still profitable at current production levels. It is well above the break-even point which, thanks to a continuous productivity and safety programme, has been reduced to 55 per cent of capacity, according to senior mine engineers.

Skill upgrading means that the mine now employs nearly 1,000 fewer people than a decade ago, when more than 3,000 unskilled and often illiterate local workers were taken on for training. Average take-home pay of the more than 2,000 skilled and semi-skilled workforce is now around R1,600 ($657), while rents in the custom-built company town of Arandis, an artificial oasis in the desert 10km from the mine, are fixed at a highly-subsidised R7.50 per month, including water and electricity.

However, despite the relatively high pay and good conditions, Mr Axaro Tsowaseb, the assistant housing manager, has no doubt that Arandis will vote solidly for the South West Africa Peoples Organisation (Swapo) in UN-supervised elections to a constituent assembly on November 1.



Most observers in the capital, Windhoek, believe that Swapo, led by Mr Sam Nujoma, will win a majority of seats in the constituent assembly but will fall short of the two-thirds majority required in terms of UN resolution 435 to dictate the terms of the new constitution. This means that Swapo is unlikely to be able to form a one-party government on Soviet lines. What is more, the exiled leadership has also toned down the party's original plans to nationalise the mines and redistribute the land.

RTZ, along with the other major mining houses operating in the territory such as Anglo American Corporation, De Beers and Gold Fields of South Africa (GFSA), believes that Swapo now sees the mining industry as a golden goose, to be exploited but not plucked.

A few key statistics show why. With tha progressive exhaustion of the formerly rich coastal diamond deposits, Rössing has become Namibia's most important single economic asset. Alone, it generates 35 per cent of Namibia's total export earnings and 17 per cent of gross domestic product. With tax biting into 55 per cent of profits and marginal tax rates of 63 per cent expected to be further raised in this year's budget, Rössing is a big contributor to government revenue.

With good management, and a little help from the uranium price, the mine has up to 40 years of working life ahead of it. However, the real test of any post-independence government will be its ability to create the conditions for new investment in many of the promising projects currently on hold.

Rössing argues that if RTZ had not decided to go ahead with its mine shortly after the 1973 oil crisis, when utilities were lining up to secure long-term supply contracts for uranium, the huge but extremely low-grade deposit locked into abrasive Alaskite granite would never have been exploited.

At present the only major new investments taking place in the mining sector are a R90m alluvial diamond mine being developed by De Beers' Consolidated Diamond Mines (CDM) along the Orange River, 50km upstream from the fast-depleting coastal deposits at Oranjemund, and a small gold mine development at Karibib owned jointly by De Beers and Anglo American.

RTZ and other mining companies have been engaged in exploration for years. However, the development of new projects is being delayed until the contours of post-independence Namibia become clearer.

Sumitomo advances 46%

By Stefan Wagstyl in Tokyo

SUMITOMO Chemical, one of Japan's largest chemicals companies, yesterday announced a 46 per cent increase in pre-tax profits to Y36.7bn ($289m) for 1988, due mainly to strong demand for basic chemicals, especially plastics.

Reporting its non-consolidated results, Sumitomo said sales rose 7.8 per cent to Y556bn. Sales in plastics and synthetic rubber were up 11.2 per cent and in organic and inorganic chemicals they rose 6.7 per cent. Among the group's specialty chemicals businesses, electronic materials recorded a 12.6 per cent increase in sales and agricultural chemicals 10.7 per cent.

Turnover in fine chemicals rose just 3.2 per cent, due to slack demand for dyestuffs at home and abroad. Total sales in basic chamicals were Y374.7bn, up 8.4 per cent, and in specialty chemicals Y181.4bn, up 6.7 per cent. Net income per share was Y9.2 (Y7.1) and the dividend for the year will be Y5, unchanged.

NEI increases turnover to R439m

THREATS of sanctions indirectly contributed to the increase in 1988 sales recorded by NEI Africa, the South African subsidiary of Northern Engineering of the UK, writes **Jim Jones in Johannesburg**.

Mr "Blitz" Bieber, chief executive, says the company's manufacturing facilities were expanded to produce substitute imports. The rand's decline in recent years has also spurred the company's import substitution programme. NEI manufactures heavy industrial equipment.

Turnover in 1988 rose to R439m ($179.9m) from 1987's R392m, while operating income before interast and tax increased to R57.3m from R45.6m. Mr Bieber expects sales to continue increasing.

Turkish state airline sold despite protests

By Jim Bodgener in Ankara

OPPOSITION TO Turkey's privatisation programme from anti-foreign investment interest groups has failed to halt the sale of state airline Bogazici Hava Tasimiciligi (BHT) to a group led by Aer Lingus and involving Turkish tourism companies. Senior officials yesterday rebutted criticism that the deal was struck too cheaply.

The airline, the former charter and cargo subsidiary of state airline Turk Hava Yollari (THY), has been purchased for around TL13.5bn ($7.1m). Mr Adnan Kahveci, state minister, has rejected charges that spare parts valued at $4m were included in the sale, saying the bulk of the deal was for the airline's fixed assets such as aircraft.

Another privatisation deal to run up against domestic opposition is the sale of five cement factories formerly owned by state-cement corporation Citosan to Société des Cimentes Français. Detractors say the company has been undervalued at around $105m.

Domestic cement manufacturers are worried about foreign competition backed by more modern technology and greater resources of capital. The French concern plans to invest $75m to modernise the plants over four years.

Foreign penetration into Turkey's state industrial and services sector has become a minor issue at the hustings. Campaigning mid-week in the Anatolian town of Polatli, Mr Bulent Ecevit, the former premier, charged that Turkey had reached such straits that its cement factories, built by Turkish engineers and workers, were being knocked down to foreigners.

However, Mr Kahveci said last week he would mount an intensive counter-attack over the next fortnight against critics of the privatisation programme. It would include answers to tha charges that state economic enterprises increased prices and juggled exchange rates to stay profitable, he said.

Criticism of the government programme has intensified following the departure of the head of the government's Mass Housing and Public Participation Administration (MHPPA), Mr Bulent Gultekin. Soon after, the head of the MHPPA's privatisation department, Mr Cengiz Izrafil, also resigned.

The pattern of recent Turkish privatisation deals has been the sale of a core block of shares to a main – usually foreign – investor, not truly public issues in the UK sense of denationalisation.

The government has been careful not to swamp the small and frail Istanbul stock market.

Malaysia Mining Corp optimistic

MALAYSIA Mining Corp (MMC) expects group pre-tax profits to rise to 70m ($25.7m) ringgit in the year ended January, 1989, from 52.1m ringgit a year ago, reports our financial staff.

The forecast is made in conjunction with MMC's takeover bid for Tronoh Mines Malaysia. The company's advisers said Tronoh's acceptance of the offer would yield long-term benefits. It added that MMC was set to become an international mining house.

EAST RAND PROPRIETARY MINES, LIMITED

(Incorporated in the Republic of South Africa)

RAND MINES

Abridged Chairman's Statement – 1988

Closure of most of the "old" mine, low capital expenditure, financial re-structuring and increased production from the new Far East Vertical section and the sand retreatment operation should produce profits by the year-end. – CG Knobbs

As mentioned in my statement last year, the mine's future hinges on the exploitation of the richer ore reserves in the eastern portion of the mine. For the last three years, capital expenditure has been concentrated on the Far East Vertical shaft complex. The project again progressed well and the secondary service shaft was commissioned in December. Although this shaft was commissioned four months late, expenditure exceeded budget by only 7,5 per cent. This was a meritorious achievement considering the magnitude of the whole capital programme and some of the unforeseen difficulties encountered.

A rights issue of R91,5 million was successfully concluded in January last year. At the time of this rights issue, it was predicted that production from the high grade Far East Vertical shaft area could commence even though much of the infrastructure, such as the permanent shaft and cooling facilities, was incomplete. This proved to be optimistic. Excessive heat and inadequate services delayed full access to the area for a number of months and adversely affected production. An ingress of water disrupted shaft sinking, and reshaping of the original sub-vertical shaft for equipping also resulted in delays and overruns in capital expenditure.

Two independent seismic events, which occurred in October, caused severe damage and resulted in the closure of the Angelo and Hercules shafts for extensive repairs. Production from the areas serviced by these shafts immediately came to a standstill, resulting in a loss of much needed gold output. In October serveral loss-making sections were closed in order to stem the outflow of funds. An increase in interest rates, loan balances already higher than budgeted, and a drop in the gold price in the last quarter exacerbated matters. Instead of the working profit that had been projected, a working loss was incurred.

These problems, coupled with the disappointing outlook for the gold price, have caused management to examine a number of alternative strategies to secure the mine's future. It is clear that the new plan will require some restructuring of the debt arrangements, further financial assistance from Government and an injection of additional share capital. The new plan and the proposed financial arrangements are described in more detail under "Outlook" below.

	Year ended 31 December		
OPERATING RESULTS	**1988**	1987	% Change
Tons milled – 000	**2 233**	2 446	–8,7
Tons of sand treated – 000	**1 005**	133	+655,6
Gold produced from underground (kg)	**8 096**	8 735	–7,3
Gold produced from sand treated (kg)	**963**	106	+808,5
Yield – grams per ton – underground	**3,63**	3,57	+1,7
Yield – grams per ton – sand treated	**0,96**	0,80	+20,0
Working revenue per ton milled	**R132,88**	R106,33	+25,0
Working expenditure per ton milled	**R157,16**	R132,54	+18,6
Working loss per ton milled	**R24,28**	R26,21	–7,4
GOLD PRICE RECEIVED, AVERAGE			
Rand per kilogram	**R32 756**	R29 308	+11,8
FINANCIAL RESULTS	**R000**	R000	
Working revenue	**296 716**	260 093	
Working expenditure	**350 934**	324 201	
Working loss	**54 218**	64 108	
State assistance	**—**	42	
Other expenditure net	**7 617**	3 139	
Loss	**61 835**	67 205	
Capital expenditure	**164 116**	132 325	

OUTLOOK

A number of alternative strategies to secure the mine's future have been examined in the light of a deteriorating gold price and it seems clear that only a very radical approach can succeed.

First, all efforts will be concentrated on the higher grade areas serviced by the new Far East Vertical complex. The major part of this complex has been completed at a cost of R250 million. Being a highly concentrated and efficient section, production should reach 60 000 tons per month by the end of 1989 and contribute the bulk of the mine's gold. Further, relatively inexpensive construction and expansion of the complex over the next few years will double the production from the area to 120 000 tons per month and the new ERPM mine will have been completed.

Secondly, only certain areas of the old mine serviced by "pumping" shafts and which show a contribution to profits, will be retained under the revised mining plan.

Thirdly, mining operations in the remainder of the "old" mine, which has been such a disappointment and financial burden in the past, will cease almost entirely.

Fourthly, the capacity of the highly profitable sand retreatment operation on surface will be doubled.

The plan incorporates conservative estimates in respect of the main parameters, and has been scrutinized by a number of outside consultants and experienced mining engineers within the Rand Mines Group. Capital expenditure of R20 million in 1989 and also in 1990 is planned, dropping to R12 million in 1991. By far the bulk of expenditure will be incurred on the Far East Vertical complex.

This new plan will require some restructuring of the debt arrangements, further financial assistance from Government for pumping costs and an injection of additional share capital. In particular, it is proposed to create class "A" and "B" variable rate cumulative redeemable preference shares and that Rand Mines Limited should subscribe additional capital to a value of approximately R70 million for the "B" preference shares. Discussions are being initiated with those from whom the company has borrowed with a view to converting all or some of the loans into shares. In the event that such discussions are successfully concluded, it is intended to issue the "A" preference shares in consideration for such conversion.

The issue of the preference shares will provide the company with additional capital on advantageous terms – the rates of dividend on the total amount paid up on such shares being appropriate percentages of the lending rate charged from time to time to its best corporate customers by a leading South African commercial bank, in contrast to interest on bank borrowings.

Providing the gold price averages R34 300 per kilogram, the mine should show profits after all appropriations by the fourth quarter of this year.

Dividends on the ordinary shares could be paid in a few years' time and debts reduced significantly, providing there is a steady increase in the gold price in rand terms to take account of a good proportion of inflationary influences on working costs.

In order that new financial arrangements can be put into effect, the approval of members is required at the forthcoming annual general meeting to resolutions to increase the company's borrowing powers, to increase the authorised share capital and to amend the company's articles of association so as to introduce two classes of preference share capital. In addition, the approval of members is required to the resolution to place all of the new shares under the control of the directors and, in particular, to authorise them to issue all or part of the new "B" preference shares to Rand Mines Limited.

The passing of these resolutions will give the directors the necessary flexibility in designing the most appropriate financial package under the present circumstances. The borrowing powers must be increased purely as a temporary arrangement, while the more permanent capital requirements are being put into place.

Rand Mines Limited is the holder of 5 486 080 ordinary shares (representing approximately 33,0 per cent of the issued ordinary share capital) and has indicated that it intends to vote in favour of these resolutions.

The passing of these resolutions is vital to securing the future of the mine and members are urged to support these resolutions.

The company's merchant bankers, First National Corporate & Investment Bank Limited, have confirmed that in their opinion, in view of the present financial position of the company and the proposed terms of issue of the "B" preference shares, the provision of funds by Rand Mines Limited is fair and reasonable to the other members of the company.

GOLD

The prospects for the gold price in 1989 are anything but sanguine. Sentiment is negative and, at best, uncertain. Inflation is not expected to be a problem in the western world and continued economic growth in 1989 is anticipated. A rise in mine production is likely to result in an excess of supply over demand for gold, driving the US dollar price down even further. Although physical demand in the Far East is likely to persist this year, with the recent removal of various tariffs and sales taxes in areas where demand is strong, there is a growing realisation that this demand is becoming increasingly price sensitive. The immediate outlook for the dollar is very unsettled with some confusion and much caution spilling over into the bullion markets.

Given this scenario above, and accepting the important role that gold mining plays in the South African economy, a weakening of the rand vis-a-vis the dollar is necessary to counter rising costs of production and lower grades, a feature of the industry over the past few years. Without this relief, the industry will be faced with the prospects of major cut-backs and even some closures, unleashing attendant socio-economic problems which the country can ill afford.

The annual financial statements may be obtained from Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

INTERNATIONAL COMPANIES AND FINANCE

Belgian bank groomed for altar

Tim Dickson on the preparations for a European wedding in 1991

Most Europeans are obsessed with 1992. But for Baron Paul-Emmanuel Janssen, the man who took over the reins at Belgium's premier bank Banque Générale at the beginning of this year, the key diary date is February 1991.

That is when Baron Janssen and his executive team hope to consummate the ambitious marriage plans with Amro Bank of the Netherlands announced in Brussels and Amsterdam almost exactly 12 months ago.

As a first step the "alliance" consisted of each side taking just under 10 per cent of the other's capital, with a co-operation agreement intended to serve as the basis for co-ordinating the two banks' international activities. The final aim, however - to be achieved within an agreed three year "engagement" period - is to set up a fully integrated multinational banking group with a single chairman, a single executive committee, and a single balance sheet.

Progress at this stage appears to be satisfactory from the Belgian side but in a remarkably frank interview, Baron Janssen discussed the complexity and practical difficulties facing the two sets of negotiators and stressed that the full merger anticipated for 1991 is by no means a foregone conclusion.

"We are not going to make this merger if one plus one is going to make only two. One plus one has got to make three. I think at this stage there is a 50 per cent chance that we will sign and a 50 per cent chance that we don't sign. It would not be realistic to say more."

Janssen: merger is not a foregone conclusion

One thing that is already clear is that Banque Générale's name (and familiar G-shaped logo) will not disappear in its home territory if or when the merged bank goes under one name.

Nor will the de-centralised management approach be changed - a point which Baron Janssen links to the increasingly regionalised political structure of the country. "No one should get the impression that because we have integration with Amro that the autonomy we grant to our branches will be affected," he says. "We like to deal with one part of the country in a different way to another and I think that the Dutch feel exactly the same way as we do."

Choosing a common international name - "it would be better to have one," says Baron Janssen - is a minor problem compared with finding the appropriate legal and financial structure for the combined entity. This hurdle, according to Banque Générale's 57-year-old chairman, is one of the keys to the timing and indeed to the ultimate success of the merger, for until this is resolved the two parts of the alliance will remain largely separate.

Three problems, according to Baron Janssen, have to be resolved. The first is internal organisation - Amro is currently more centralised than Générale. The second is reporting systems so that figures can be assembled on a comparative basis; the third is making sure that the two sets of computers can talk to each other.

Baron Janssen says: "I don't think that we can start putting together our core business or our major foreign branches until we know what the structure is going to be in 1991."

For the moment, he adds, Générale and Amro are doing "a lot of bilateral business, we have introduced each other's shares, we have 10 common Euro desks, we have done many credits together, and we have tried to have an association together in the capital markets."

There are already possibilities for co-operating abroad - notably the joint Latin American affiliate owned 55/45 in Générale's favour.

Baron Janssen stressed that the chances of success depend not just on negotiations between managements but on the respective Ministries of Finance, the central banks, the regulatory authorities like Belgium's Commission Bancaire, and the two sets of shareholders. "There is a great difference in the mentality of shareholders in the two countries. In Belgium they have a lot to say, in Holland not so much."

As for Générale's major shareholder Société Générale de Belgique, Baron Janssen stressed that there had been no change since Compagnie Financière de Suez, the French investment bank, took control of the giant Belgian holding. Discussions about possible areas of co-operation have long been taking place with Banque Indosuez - identified coincidentally as a possible Amro-style partner two years ago.

Despite indications a year ago that the alliance could be opened up to other European banks there is no question of a three way merger. "An integration is difficult enough with two partners, I don't think we will try to do it with three - at least not in our generation."

Turning to this year's results, Baron Janssen said that 1988 profits would be much better than the previous year's despite the bank's policy of increasing its cover on LDC loans to above 50 per cent.

There would be a need for new capital in the run up to 1992 - "but the timing is a matter for the board."

Kone records $80m profit

By Olli Virtanen in Helsinki

KONE CORPORATION, the Finnish lift maker, saw its profit before taxes and allocations rise to FM345m ($80m) for 1988 from the FM203m, which included extraordinary income of FM51m, in 1987.

Turnover increased by 10 per cent to FM6.1bn. Kone is stepping up its dividend from FM5 to FM7 on A shares and from FM6 to FM8 on B shares.

The company says last year was a "successful" one after two years of relatively low profits. Lifts, in particular, achieved a record year with a jump of 30 per cent in new orders.

Group orders received during the year, excluding maintenance sales, totalled FM5.3bn. The order book at the year end stood at a record FM4.1bn.

● United Paper Mills, the forest products group which also operates the Shotton newsprint plant in North Wales, saw its profit before appropriations and taxes jump to about FM950m ($225m) last year from FM497m. The 1988 profit included FM100m of assets disposals.

Turnover increased by 17 per cent to FM6.1bn. Operating profit last year rose from FM497m to about FM1bn.

Preussag to pay dividend

By Our Financial Staff

PREUSSAG, the West German energy and metals group which has suffered a number of setbacks to trading in recent years, said yesterday that it expected to pay a dividend of between DM1 and DM5 a share for 1988.

The payout, which would be set by the supervisory board in May, would be the first by Preussag since 1985. In that year shareholders received DM5 a share.

Mr Erwin Moeller, chief executive, said group profits performance for last year had turned out better than expected in almost all areas of operation, although he could give no indication of figures.

Preussag stopped paying dividends after it was hit hard by falling natural gas and non-ferrous metals prices and related problems in metals processing. It also had to cope with tin-trading losses at its London-based offshoot.

Late last year the company spun-off its core metals refining business into a joint venture, with the French Penarroya group.

At the time Mr Moeller said that Preussag planned to become a "pure" industrial holding company.

Enimont to spend $1bn on European deals

By Alan Friedman in Milan

ENIMONT, the newly-formed joint venture chemicals company owned by the state-controlled Enichem and the Ferruzzi-Montedison group, is planning to spend around $1bn on acquisitions in the European chemicals sector over the next three years.

Mr Lorenzo Necci, chief executive, said the plan was part of Enimont's international strategy. This year Enimont will derive only 14 per cent of its group revenues from sales outside Italy. "We will seek to internationalise Enimont by means of acquisitions, joint ventures and investments," Mr Necci explained.

He gave revised figures for Enimont's expected 1989 turnover, saying the consolidated total, net of intra-company trading, was likely to be around L15,000bn ($11bn): last December the forecast for 1989 was L13,300bn of revenues.

INTERNATIONAL CAPITAL MARKETS

Interest worries continue to weigh Treasuries down

By Janet Bush in New York and Katharine Campbell in London

US TREASURIES continued to drift lower yesterday, under the weight of unsold bonds after last week's disappointing refunding and worries about higher interest rates since last Friday's prime rate rises and the large 1 per cent increase in producer prices in January.

At midsession, the Treasury's new benchmark 8.875 per cent long bond was quoted ¾ point below its close on Friday for a yield of 9.05 per cent. After inverting at the beginning of last week, the yield curve is now pointing upwards slightly, with the bond equivalent yield on three-month Treasury bills at 8.83 per cent.

Fed Funds traded at 9⅝ per cent at yesterday's midsession and the US Federal Reserve announced that it was not operating in the money market. This was taken by some Fed watchers as a signal that it has moved its target range for Fed Funds a notch higher.

A number of key economic statistics are due this week and the bond market traded relatively quietly ahead of their release.

EUROPEAN markets took on a generally disconsolate aspect yesterday, in reaction to the trials of US Treasuries last Friday and the gloomy outlook on the interest rate front.

GOVERNMENT BONDS

On Matif, the French futures exchange, the notional 10-year bond March contract closed 58 basis points lower at 105.62, and in the cash market the 8.5 per cent tap due 1997 was 56 basis points down, at 97.74 yielding 8.88 per cent.

Looking ahead, the market was jittery about US central bank tightening and similar moves from the Bundesbank.

A COMBINATION of an unexpectedly firmer dollar and call money nudging 6 per cent knocked the German bond market off balance again yesterday morning, so that prices at the fixing were a good 35 pfennigs weaker. The 6¾ per cent federal bond due 1999 was fixed 30 pfennigs lower at 100.00. Prices drifted down another 5 basis points or so in the afternoon.

THE DUTCH market had a poor day, significantly underperforming Germany. Short-term rate worries were exacerbated by the central bank's raising of its special advance rate. It set a new nine-day money market liquidity pact at 6.30 per cent, 5 basis points tighter than the last time around.

A COUPLE of domestic economic indicators published in the UK were sufficiently ambiguous to ensure there were no fireworks in the gilt-edged securities department.

A sharper than expected drop in January retail sales (provisionally down 1.5 per cent on December) helped the market somewhat, but once the inflationary implications of a 1.0 per cent rise in producer prices had sunk in, gilts prices lost most of their gains.

On Liffe, the March notional gilt closed at 98.00, after trading up to 98.11 on the retail sales news.

Yields on long-term bonds have fallen substantially since the beginning of the year. The benchmark Treasury bond due 2003-2007 now yields 9.40 per cent, 46 basis points lower than at the start of 1989, on the back of the conviction that consumer spending is slowing.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	100-14	-1/32	10.31	10.30	10.74
	9.750	1/98	100-02	-4/32	9.74	9.72	10.31
	9.000	10/08	100-10	-4/32	8.94	8.95	9.26
US TREASURY*	8.875	11/98	97-26	-9/32	9.22	9.02	9.07
	9.000	11/18	99-08	-6/32	9.07	8.85	8.90
JAPAN No 111	4.800	6/98	97.8879	-0.125	4.93	4.73	4.74
No 2	5.700	3/07	108.1039	-0.210	4.85	4.80	4.75
GERMANY	6.375	11/98	97.0250	-0.225	6.82	6.62	6.68
FRANCE BTAN	9.000	1/94	95.7813	-0.410	9.06	9.00	8.46
OAT	8.500	5/98	103.2500	-0.600	8.95	8.55	8.45
CANADA*	10.250	12/98	100.1250		10.22	10.08	10.18
NETHERLANDS	6.7500	10/98	98.5750	-0.425	7.03	6.96	6.73
AUSTRALIA	12.000	7/99	88.6611	-0.301	13.89	13.70	13.09

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93	93½	-0⅛	-0⅛	10.21
B.F.C.E. 7 92	150	*92⅞	92⅜	0	-0⅛	9.94
B.F.C.E. 9¼ 95	150	97⅛	97⅞	-0⅛	-0⅞	9.73
Brit. Tel. Fin. 9⅜ 98	250	†97⅝	98⅛	-0⅞	-1⅝	9.71
Canada 9 96	1000	†97¼	97½	-0¼	-1	9.50
Canadian Pac 10¼ 93	100	†101¾	102⅛	0	0	10.05
C.C.C.E 9¼ 95	300	†97⅞	97⅜	-0½	-0⅞	9.78
C.N.C.A 9⅞ 93	150	†98¾	98¾	-0⅛	-0⅞	6.75
Credit Lyonnais 9 91	200	†98	98½	+0⅛	-0½	9.98
Credit National 8¾ 93	200	†94¼	94¾	0	-0¼	9.90
Credit National 7⅞ 92	100	93	93⅛	-0⅛	-0⅛	9.97
Credit National 7¼ 91	150	†93¼	93¾	+0⅛	-0⅛	9.97
Dai-Ichi Kan 9⅝ 92	150	99	99½	0	-0⅛	9.84
Denmark 7¼ 92	500	92⅛	92⅞	0	-0¼	10.03
E.E.C. 7 91	100	93¼	93½	-0⅛	-0⅛	9.85
E.E.C. 7¼ 93	250	†91⅝	91⅞	-0⅛	-0½	9.85
E.E.C. 8 90	350	†97⅛	97⅝	0	0	9.96
E.I.B. 7⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 9⅞ 97	150	[illegible]	[illegible]	[illegible]	[illegible]	9.49
Elec.De France 9 98	200	†95	95½	-1	-1½	9.81
Finland 7⅞ 97	200	†89½	90	-0⅝	-0⅛	9.78
Finn.Exp.Cd. 8½ 92	200	95¼	96¼	-0⅛	-0½	10.06
Finn. Exp. Cd. 9⅞ 95	200	97⅝	98⅛	-0⅛	-0⅞	9.80
Ford Motor Credit 8 91	250	*†96¼	96¼	0	-0¼	10.05
Gen.Elec.Cap.Corp. 9 93	500	†97¼	97¾	+0¼	+0¼	9.66
Gen Elec Credit 10¼ 00	200	—	—	—	—	—
Gen.Mtrs.Corp. 9⅛ 92	200	†97⅞	98¼	-0⅛	0	9.76
Halifax BS 9½ 93	200	†97⅞	98¼	-0½	-0½	10.06
IBM Credit Corp. 8⅞ 91	250	97½	98⅛	-0⅛	-0⅛	9.82
Italy 9 90	1000	*†99⅛	99¼	0	0	9.45
Italy 9½ 95	1000	98⅞	98⅞	-0⅞	-1⅞	9.77
L.T.C.B of Japan 8 91	100	95	95½	0	-0½	10.20
L.T.C.B. of Japan 9¼ 92	200	97⅞	98⅞	0	-0⅞	9.85
Metropolis Tokyo 9½ 93	200	99½	100	0	-0⅝	9.57
Morgan Guaranty Tst. 7 90	150	*†97	97	0	0	10.06
Nippon Tel.&Tel. 9⅜ 98	250	97⅛	98⅛	-0⅛	-1⅝	9.71
Norway 8¼ 93	500	96⅜	96⅞	0	-0½	9.79
Portugal 8¼ 91	300	†95⅞	96⅜	+0⅛	-0¼	10.37
Prudential Crp. 8¼ 94	125	†95⅜	95⅞	-0⅛	-1	9.80
Qantas Airways 10⅜ 95	140	†102⅝	102⅞	-0⅞	-0⅝	9.83
Saskatchewan 10¼ 92	100	†101¾	102¼	-0½	-0⅞	9.95
State Bk S Aust 9¼ 93	100	†97⅝	98⅛	-0⅛	-0⅛	9.92
Sumitomo Bank 9⅛ 92	150	99⅛	99½	+0⅛	-0½	9.84
Swed Exp Cred 7¼ 91	100	†93⅛	93⅝	+0¼	-0⅛	10.03
Sweden 7 91	250	†93	93½	0	-0½	9.99
Sweden 8¼ 96	200	95⅛	95¾	-0½	-0⅝	9.64
Sweden 8½ 92	200	*†96½	96½	0	0	9.69
Toyota 9¼ 91	200	99½	100	0	-0⅛	9.58
Victorian Rep 11⅛ 92	150	†104	104½	-0⅛	-0½	9.98
World Bank 7 92	300	†92⅛	92⅝	-0¼	-0⅞	10.11
World Bank 9 97	300	†95⅞	96⅛	-0½	-1⅝	9.67
World Bank 9¼ 98	300	†96⅛	97⅛	-1⅛	-1⅛	9.71
Yasuda Trust Fin 8½ 93	100	†94½	95	-0⅛	-0⅛	10.01

Average price change... On day -0¼ on week -0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅝ 92	55	101⅛	101¼	-0⅝	0	4.90
Belgium 4⅝ 94	45	98	98¼	-0⅛	0	5.03
Canada 4⅞ 92	80	98⅜	98⅝	-0⅝	0	4.86
Elec. De France 5⅜ 94	20	100⅜	101	-0⅛	0	4.98
Ireland 5¼ 93	30	100	100½	-0⅛	+0⅛	5.05
Norway 5¼ 95	50	100½	100⅞	0	+0⅛	5.00
Rep. of Italy 5⅜ 92	150	102½	102⅞	-0⅛	0	4.84
Sweden 4⅝ 93	50	98⅝	98⅞	-0⅝	0	4.95
World Bank 5½ 92	50	102⅛	102⅜	-0⅛	0	4.79

Average price change... On day -0⅛ on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10⅛ 93 £	50	98	98⅛	0	0	10.85
Abbey Nat. 11⅜ 95 £	100	100¼	101⅛	—	—	11.35
Alg. Bk. Ned. 5½ 92 FL	150	97⅞	97⅜	0	-0½	6.44
Alg. Bk. Ned. 5⅜ 93 FL	200	96⅜	96⅞	-0¼	-0⅛	6.72
[illegible] FL	150	†98⅝	98⅞	-0⅛	-0⅛	6.69
[illegible] 12¾ 93 A$	100	†93¾	93⅞	+0⅛	+0⅛	14.97
Austria 7½ 94 ECU	100	†96½	96⅞	-0⅛	-0⅝	8.33
Barclays Aus. 13½ 91 A$	100	95	95½	-0⅛	-0¼	15.71
BP Capital 9¼ 93 £	100	96⅝	96⅞	0	-0¼	10.86
British Airways 10 98 £	100	95⅞	96⅛	+0⅛	+0¼	10.73
Buhrmann-Tet. 6⅜ 93 FL	100	98⅞	99⅝	-0⅛	-0½	6.60
Comm. Bk. Aust. 12⅞ 93 A$	100	92⅝	92⅞	-0⅛	-0⅞	14.13
Coop. Ctr. Rabo. 6⅛ 93 FL	100	98⅛	98⅝	0	+0⅝	6.73
Coop. Ctr. Rabo. 6 92 FL	200	98⅛	98⅞	0	+0¼	6.53
Dixons 11 95 £	90	†98⅝	99⅛	0	+0⅛	11.43
Deut. Bk. Aust. 12¼ 95 A$	70	92⅞	93	-0¼	-1⅛	14.64
Eastman Kodak 13 90 A$	100	94⅞	95⅝	-0⅛	+0¼	16.78
E.I.B. 7 96 LFr	100	*†98¼	98¼	0	0	7.33
Elec. France 10¼ 95 C$	125	†97⅞	97⅞	+0⅛	-0⅞	10.76
Euratom 7⅜ 97 ECU	145	93½	94⅛	0	0	8.45
Fed. Bus. Dv. Bk. 9¼ 92 C$	75	†96	96½	0	-1	11.13
Ford Cr. Can. 10⅜ 93 C$	100	†98⅞	99⅜	+0⅛	-0⅝	11.03
Ford Mtr. Cred. 7½ 91 ECU	100	98⅛	99	-0¼	-0⅝	8.05
Gillette Can. 9⅝ 93 £	70	92⅞	93	-0¼	-0⅛	11.77
G.M.A.C. 9¾ 93 C$	150	†94⅞	95⅝	0	-1	11.23
G.M.A.C Aus. Fin. 14 90 A$	50	95⅞	96⅜	-0⅝	+0⅝	17.07
Honda Intl. 7⅞ 93 Ecu	100	†98¼	99⅝	—	—	8.09
Hydro-Quebec 11 99 C$	400	100⅝	100⅜	—	—	10.96
Inv. Industry Int. 10 93 £	60	96⅜	96⅝	0	-1	11.11
Lloyds Bank 10¼ 98 £	150	96	96⅝	+0¼	0	10.91
Lloyds Bank 11⅜ 98 £	100	100¼	100¼	-0⅝	-0⅞	11.27
Montreal Tst. 10⅞ 93 C$	100	†97¼	98¼	-0⅝	-1⅝	11.31
Morgan Guar. Tst. 11 91 C$	150	99	99½	—	—	11.43
Nat. Aus. Bank 14 91 A$	50	—	—	—	—	—
Ned. Midd. Bank 6 92 FL	150	97⅝	97⅞	-0⅛	-1⅛	6.95
New Zealand 9½ 93 £	100	95⅛	95⅞	+0¼	-0¼	10.90
New Zealand 7⅞ 93 ECU	200	98⅛	99⅛	-0¼	-0¼	8.08
Philips Gleoil. 6 93 FL	300	†97	97⅜	-0⅛	-0⅞	6.72
Prudential Fin. 9⅝ 07 £	150	†91⅞	92⅜	+0⅝	+0⅝	10.34
Royal Bk. Scot. 10⅝ 98 £	125	98⅛	98½	+0¼	+0⅜	10.98
Saskatchewan 9⅞ 91 C$	150	†96¼	97¼	-0¼	-1⅛	11.29
Saskatchewan 10¼ 93	200	97⅜	98	0	-0⅞	10.89
S.D.R. 7¼ 95 ECU	90	96⅜	97⅛	-0¼	-0¼	8.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

Average price change... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS

[illegible]

Average price change... On day 0 on week +0⅛

FLOATING RATE NOTES

[illegible]

Average price change... On day -0.03 on week -0.05

CONVERTIBLE BONDS

[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse First Boston; Bank of Tokyo International; Chase Manhattan Ltd; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming & Co; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Grenfell; Nikko Securities; Nomura International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation International; S.G. Warburg and Co.; Wood Gundy.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday February 13,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	56.7629	30.3516	44.2093
Albania	(Lek)	9.9718	5.7030	3.0494	4.4417
Algeria	(Dinar)	11.1618	6.3836	3.4133	4.9718
Andorra	(Fr Fr)	11.1250	6.3625	3.4021	4.9554
	(Sp Peseta)	203.10	116.1567	62.1100	90.4677
Angola	(Kwanza)	52.7865	30.1895	16.1426	23.5129
Antigua	(E Carr $)	4.7237	2.7015	1.4445	2.1040
Argentina	(Austral)	31.556	18.0468	9.6498	14.0556
Aruba	(Florin)	3.1316	1.7910	0.9576	1.3949
Australia	(Aus $)	1.9688	1.1259	0.6020	0.8769
Austria	(Schilling)	23.015	13.1627	7.0382	10.2516
Azores	(Port Escudo)	267.95	153.2456	81.9418	119.3541
Bahamas	(Bahama $)	1.7485	1	0.5347	0.7788
Bahrain	(Dinar)	0.65975	0.3772	0.2017	0.2938
Balearic Is	(Sp Peseta)	203.10	116.1567	62.1100	90.4677
Bangladesh	(Taka)	55.00	31.4555	16.8195	24.4988
Barbados	(Barb $)	3.5188	2.0124	1.0760	1.5673
Belgium	(Belg Fr)	68.55c	39.2050	20.9633	30.5345
		69.00g	39.4623	21.1009	30.7349
Belize	(B $)	3.4990	2.0011	1.0700	1.5585
Benin	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Bermuda	(Bermudian $)	1.7485	1	0.5347	0.7788
Bhutan	(Ngultrum)	27.50	15.7277	8.4097	12.2494
Bolivia	(Boliviano)	4.3912	2.5114	1.3428	1.9559
Botswana	(Pula)	3.4750	1.9874	1.0626	1.5478
Brazil	(Cruzado)	1.7443	0.9975	0.5334	0.7769
British Virgin Is	(US $)	1.7485	1	0.5347	0.7788
Brunei	(Brunei $)	3.3748	1.9301	1.0320	1.5032
Bulgaria	(Lev)	1.4956	0.8553	0.4573	0.6661
Burkina Faso	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Burma	(Kyat)	11.4112	6.5262	3.4896	5.0829
Burundi	(Burundi Fr)	268.50	153.5601	82.1100	119.5991
Cameroon	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Canada	(Canadian $)	2.0750	1.1867	0.6345	0.9242
Canary Is	(Sp Peseta)	203.10	116.1567	62.1100	90.4677
Cp. Verde Is	(CV Escudo)	134.2654	76.7889	41.0597	59.8064
Cayman Is	(CI $)	1.4521	0.8304	0.4440	0.6468
Cent. Afr. Rep	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Chad	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Chile	(Chilean Peso)	443.75	253.7889	135.7033	197.6614
China	(Renminbi Yuan)	6.5239	3.7311	1.9950	2.9059
Colombia	(Col Peso)	612.49	350.2945	187.3058	272.8240
Comoro Is	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Congo (Brazz)	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Costa Rica	(Colon)	139.6101	79.8456	42.6942	62.1871
Cuba	(Cuban Peso)	1.3324	0.7620	0.4074	0.5934
Cyprus	(Cyprus £)	0.8409	0.4809	0.2571	0.3745
Czechoslovakia	(Koruna)	26.12c	14.9385	7.9877	11.6347
		16.95t	9.6940	5.1834	7.5501
		17.24t	9.8598	5.2721	7.6792
Denmark	(Danish Kroner)	12.7150	7.2719	3.8883	5.6636
Djibouti Rep	(Djib Fr)	306.00	175.0071	93.5779	136.3028
Dominica	(E Carrib $)	4.7237	2.7015	1.4445	2.1040
Dominican Rep	(D Peso)	11.1093	6.3536	3.3973	4.9484
Ecuador	(Sucre)	744.22o	425.6334	227.5902	331.5011
		940.36a	537.8095	287.5718	418.8685
Egypt	(Egyptian £)	4.1363	2.3656	1.2649	1.8424
El Salvador	(Colon)	8.7950	5.0300	2.6896	3.9175
Equat'l Guinea	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Ethiopia	(Ethiopian Birr)	3.5952	2.0561	1.0994	1.6014
Falkland Is	(Falk £)	1.00	0.5719	0.3058	0.4454
Faroe Is	(Danish Kroner)	12.7150	7.2719	3.8883	5.6636
Fiji Is	(Fiji $)	2.4493	1.4008	0.7490	1.0910
Finland	(Markka)	7.5535	4.3199	2.3099	3.3645
France	(Fr)	11.1250	6.3625	3.4021	4.9554
Fr. Cty/Africa	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Fr. Guiana	(Local Fr)	11.1250	6.3625	3.4021	4.9554
Fr. Pacific Is	(CFP Fr)	195.00	111.5241	59.6330	86.8596
Gabon	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Gambia	(Dalasi)	11.3718	6.5037	3.4776	5.0653
Germany East	(Ostmark)	3.2700	1.8701	1	1.4565
Germany West	(D-Mark)	3.2700	1.8701	1	1.4565
Ghana	(Cedi)	402.61	230.2602	123.1223	179.3363
Gibraltar	(Gib £)	1.00	0.5719	0.3058	0.4454
Greece	(Drachma)	272.43	155.8078	83.3119	121.3496
Greenland	(Danish Krone)	12.7150	7.2719	3.8883	5.6636
Grenada	(E Carr $)	4.7237	2.7015	1.4445	2.1040
Guadaloupe	(Local Fr)	11.1250	6.3625	3.4021	4.9554
Guam	(US $)	1.7485	1	0.5347	0.7788
Guatemala	(Quetzal)	4.7997	2.7450	1.4677	2.1379
Guinea	(Fr)	524.85	300.1715	160.5045	233.7861
Guinea-Bissau	(Peso)	1137.175	650.3717	347.7599	506.5367
Guyana	(Guyanese $)	15.7122	8.9861	4.8049	6.9987
Haiti	(Goude)	8.7475	5.0028	2.6750	3.8964
Honduras	(Lempira)	3.4970	2	1.0694	1.5576
Hong Kong	(HK $)	13.6420	7.8021	4.1718	6.0766
Hungary	(Forint)	94.9018	54.2761	29.0219	42.2725
Iceland	(Icelandic Krona)	89.80	51.3583	27.4617	40
India	(Indian Rupee)	27.50	15.7277	8.4097	12.2494
Indonesia	(Rupiah)	3055.52	1747.5092	934.4097	1361.0354
Iran	(Rial)	123.50	70.6319	37.7675	55.0111
Iraq	(Iraqi Dinar)	0.5432	0.3106	0.1661	0.2419
Irish Rep	(Punt)	1.2245	0.7003	0.3744	0.5454
Israel	(Shekel)	3.1800	1.8187	0.9724	1.4164
Italy	(Lira)	2382.25	1362.4535	728.5168	1061.1358
Ivory Coast	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Jamaica	(Jamaican $)	9.4273	5.3916	2.8829	4.1992
Japan	(Yen)	224.50	128.3957	68.6544	100
Jordan	(Jordanian Dinar)	0.9450	0.5404	0.2889	0.4209
Kampuchea	(Riel)	174.85	100	53.4709	77.8841
Kenya	(Kenya Shilling)	32.80	18.7589	10.0305	14.6102
Kiribati	(Australian $)	1.9688	1.1259	0.6020	0.8769
Korea North	(Won)	1.6970	0.9705	0.5189	0.7559
Korea South	(Won)	1185.15	677.8095	362.4311	527.9064
Kuwait	(Kuwaiti Dinar)	0.50360	0.2880	0.1540	0.2243
Laos	(New Kip)	752.285	430.2459	230.0565	335.0935
Lebanon	(Lebanese £)	921.74	527.1604	281.8776	410.5746
Lesotho	(Maluti)	4.2908	2.4539	1.3121	1.9112
Liberia	(Liberian $)	1.7485	1	0.5347	0.7788
Libya	(Libyan Dinar)	0.5082	0.2906	0.1554	0.2263
Liechtenstein	(Swiss Fr)	2.7775	1.5885	0.8493	1.2371
Luxembourg	(Lux Fr)	68.55	39.2050	20.9633	30.5345
Macao	(Pataca)	14.0915	8.0591	4.3093	6.2768
Madeira	(Port Escudo)	267.95	153.2456	81.9418	119.3541
Malagasy Rep	(MG Fr)	2553.76	1460.5433	780.9663	1137.5322
Malawi	(Kwacha)	4.6180	2.6411	1.4122	2.0570
Malaysia	(Ringgit)	4.7788	2.7330	1.4614	2.1286
Maldive Is	(Rufiya)	15.2381	8.7149	4.6599	6.7875
Mali Rep	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Malta	(Maltese £)	0.5946	0.3400	0.1818	0.2648
Martinique	(Local Fr)	11.1250	6.3625	3.4021	4.9554
Mauritania	(Ouguiya)	131.2125	75.0428	40.1261	58.4465
Mauritius	(Maur Rupee)	25.3141	14.4776	7.7413	11.2757
Mexico	(Mexican Peso)	4074.00a	2329.9971	1245.8715	1814.6993
		4029.10d	2304.3179	1232.1406	1794.6993
Miquelon	(Local Fr)	11.1250	6.3625	3.4021	4.9554
Monaco	(French Fr)	11.1250	6.3625	3.4021	4.9554
Mongolia	(Tugrik)	5.8704	3.3573	1.7952	2.6148
Montserrat	(E Carr $)	4.7237	2.7015	1.4445	2.1040
Morocco	(Dirham)	14.525	8.3071	4.4418	6.4699
Mozambique	(Metical)	1171.52	670.0142	358.2629	521.8351
Namibia	(S A Rand)	4.2908	2.4539	1.3121	1.9112
Nauru Is	(Australian $)	1.9688	1.1259	0.6020	0.8769
Nepal	(Nepalese Rupee)	41.988	24.0137	12.8403	18.7028
Netherlands	(Guilder)	3.6900	2.1103	1.1284	1.6436
N'nd Antilles	(A/Guilder)	3.1316	1.7910	0.9576	1.3949
New Zealand	(NZ $)	2.8058	1.6046	0.8580	1.2497
Nicaragua	(Cordoba)	4021.21	2299.8055	1229.7278	1791.1848
Niger Rep	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Nigeria	(Naira)	12.3865	7.0840	3.7879	5.5173
Norway	(Nor. Krone)	11.7900	6.7429	3.6055	5.2516
Oman	(Rial Omani)	0.67375	0.3853	0.2060	0.3000
Pakistan	(Pak. Rupee)	34.50	19.7311	10.5504	15.3674
Panama	(Balboa)	1.7485	1	0.5347	0.7788
Papua New Guinea	(Kina)	1.4327	0.8193	0.4381	0.6381
Paraguay	(Guarani)	555.41	317.6494	169.8501	247.3986
		1986.93a	1136.3625	607.6238	885.0467
Peru	(Inti)	1238.65o	708.4072	378.7920	551.7371
		2577.95a	1474.3780	788.3639	1148.3073
Philippines	(Peso)	37.00	21.1609	11.3149	16.4810
Pitcairn Is	(£ Sterling)	1.00	0.5719	0.3058	0.4454
	(NZ $)	2.8058	1.6046	0.8580	1.2497
Poland	(Zloty)	891.87	510.0772	272.7431	397.2694
Portugal	(Escudo)	267.95	153.2456	81.9418	119.3541
Puerto Rico	(US $)	1.7485	1	0.5347	0.7788
Qatar	(Riyal)	6.3700	3.6431	1.9480	2.8374
Reunion Is. de la	(F/Fr)	11.1250	6.3625	3.4021	4.9554
Romania	(Leu)	14.781	8.4529	4.5198	6.5835
Rwanda	(Fr)	137.3869	78.5741	42.0143	61.1968
St Christopher	(E Carr $)	4.7237	2.7015	1.4445	2.1040
St Helena	(£)	1.00	0.5719	0.3058	0.4454
St Lucia	(E Carr $)	4.7237	2.7015	1.4445	2.1040
St Pierre	(French Fr)	11.1250	6.3625	3.4021	4.9554
St Vincent	(E Carr $)	4.7237	2.7015	1.4445	2.1040
San Marino	(Italian Lira)	2382.25	1362.4535	728.5168	1061.1358
Sao Tome	(Dobra)	178.6519	102.1743	54.6336	79.5776
Saudi Arabia	(Riyal)	6.5578	3.7505	2.0054	2.9210
Senegal	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Seychelles	(Rupee)	9.40	5.3760	2.8746	4.1870
Sierra Leone	(Leone)	71.5778	40.9366	21.8892	31.8832
Singapore	($)	3.3748	1.9301	1.0320	1.5032
Solomon Is	($)	3.6920	2.1115	1.1290	1.6445
Somali Rep	(Shilling)	426.878	244.1395	130.5437	190.1461
South Africa	(Rand)	4.2908c	2.4539	1.3121	1.9112
		6.9293g	3.9629	2.1190	3.0865
Spain	(Peseta)	203.10	116.1567	62.1100	90.4677
Spanish Ports in N Africa	(Sp Peseta)	203.10	116.1567	62.1100	90.4677
Sri Lanka	(Rupee)	59.00	33.7432	18.0428	26.2806
Sudan Rep	(£)	7.8728	4.5026	2.4075	3.5068
Surinam	(Guilder)	3.1229	1.7860	0.9550	1.3910
Swaziland	(Lilangeni)	4.2908	2.4539	1.3121	1.9112
Sweden	(Krona)	11.0950	6.3454	3.3929	4.9420
Switzerland	(Fr)	2.7775	1.5885	0.8493	1.2371
Syria	(£)	36.7395	21.0120	11.2353	16.3650
Taiwan	(S)	48.375	27.6665	14.7935	21.5478
Tanzania	(Shilling)	225.40	128.9104	68.9296	100.4008
Thailand	(Baht)	44.50	25.4503	13.6085	19.8218
Togo Rep	(CFA Fr)	556.25	318.1298	170.1070	247.7728
Tonga Is	(Pa Anga)	1.9688	1.1259	0.6020	0.8769
Trinidad/Tobago	($)	7.4354	4.2524	2.2738	3.3119
Tunisia	(Dinar)	1.6470	0.9419	0.5036	0.7336
Turkey	(Lira)	3337.28	1908.6531	1020.5749	1486.5389
Turks & Caicos	(US $)	1.7485	1	0.5347	0.7788
Tuvalu	(Australian $)	1.9688	1.1259	0.6020	0.8769
Uganda	(New Shilling)	285.1218	163.0665	87.1932	127.0030
U A E	(Dirham)	6.4165	3.6697	1.9622	2.8581
United Kingdom	(£)	1.00	0.5719	0.3058	0.4454
United States	(US $)	1.7485	1	0.5347	0.7788
Uruguay	(Peso)	827.85	473.4629	253.1651	368.7527
USSR	(Rouble)	1.0869	0.6216	0.3323	0.4841
Vanuatu	(Vatu)	183.37	104.8727	56.0764	81.6792
Vatican	(Lira)	2382.25	1362.4535	728.5168	1061.1358
Venezuela	(Bolivar)	25.3678e	14.5083	7.7577	11.2996
		63.901	36.5456	19.5412	28.4632
Vietnam	(Dong)	5773.35	3301.8873	1765.5504	2571.6481
Virgin Is-British	(US $)	1.7485	1	0.5347	0.7788
Virgin Is-US	(US $)	1.7485	1	0.5347	0.7788
Western Samoa	(Tala)	3.6895	2.1100	1.1282	1.6434
Yemen	(Rial)	17.45	9.9799	5.3363	7.7728
Yemen PDR	(Dinar)	0.6001	0.3432	0.1835	0.2673
Yugoslavia	(Dinar)	10575.79	6048.4929	3234.1865	4710.8195
Zaire Rep	(Zaire)	543.7624	310.9879	166.2881	242.2104
Zambia	(Kwacha)	17.60	10.0657	5.3822	7.8396
Zimbabwe	($)	3.4700	1.9845	1.0611	1.5456

Special Drawing Rights February 10 1989 United Kingdom £0.745844 United States $1.32186 Germany West D Mark 2.43354 Japan Yen168.868. European Currency Unit Rates February 13 1989 United Kingdom £0.637491 United States $1.11529 Germany West D Mark 2.08760 Japan Yen143.259

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday February 13, 1989

INTERNATIONAL CAPITAL MARKETS

India to urge radical deregulation

By David Housego in New Delhi

PROPOSALS for a partial privatisation of the Indian public sector have been made by a high-level government committee which argues for a radical deregulation of the Indian capital markets.

The report, which is still unpublished, calls for public sector companies operating under competitive conditions to sell up to 25 per cent of their equity. It nowhere uses the term privatisation, which remains politically explosive here. The recommendation would be applicable to such major groups as Air India, Bharat Heavy Electrical or Hindustan Machine Tools.

The committee says that such partial privatisation would give public sector groups more room for manoeuvre in raising fresh resources while also increasing their efficiency by making them more accountable.

It argues that public sector companies should be increasingly encouraged to turn to the private capital markets for funds because the scale of the Government's own deficit means that they cannot look to the budget for support.

The report on the development of the Indian capital market was prepared by a committee under Mr Abid Hussein, a senior member of the Planning Commission and one of the strongest advocates of deregulation within the Government.

Other members included senior government officials involved in economic policy making, including Mr Nitin Desai, Chief Economic Adviser, Mr P.G. Mankad, Controller of Capital Issues, and Mr Amitabha Ghosh, Deputy Governor of the Reserve Bank of India (the central bank).

On the sensitive issue of privatisation, no decisions can be expected before the general election due by the end of the year. But the report reflects the increasing strength of liberal views at the top level of the civil service. The committee takes as its starting point that the economy is "now poised for a big push," but that substantially larger investments will be required to move to a higher level of growth. It sees a more effectively functioning capital market as crucial to this process.

To encourage investor confidence, it calls for tighter listing requirements and disclosure norms for companies raising funds on the stock exchange. It advocates the setting up of an unlisted securities market for smaller, higher risk companies seeking to raise funds. To improve liquidity – a weakness of the Indian market, where trading is concentrated in a few hundred stocks of the 6,000 listed – it says that the appointment of market-makers by stock exchanges should be encouraged.

The report proposes tax changes and new mutual funds with private sector participation to induce small investors to purchase equities. It also suggests that companies could provide a new range of instruments in the shape of medium-term (three-five years) debentures and non-voting shares.

The most cautious section of the report concerns the overhaul of India's cumbersome interest rate structure. It recognises the need for a drastic pruning of the current system of subsidised and priority interest rates and that interest rates should reflect more closely liquidity, risk and maturity. But it stops short of recommending that the structure of interest rates should be determined by the market operations of the central bank.

Instead, it proposes a simplified administered system of which the lynch pin would be a long-term prime rate based on the rate of interest on long-dated government bonds of 15 years' maturity. It sees the prime rate thus equivalent to about 3 per cent more than the long-term inflation rate – resulting in a current potential prime rate of about 11 per cent.

The report comes at a time when some of the changes proposed by the committee are already being initiated – such as a a tougher watchdog body for the stock exchange in the shape of a new securities commission and the setting up of new venture capital institutions.

It also comes at a time when the Government is studying proposals for other innovations, including allowing foreign investors direct access to the Indian equity market through convertible debentures issued on foreign markets. The report also coincides with a period of record volumes of new issues on the capital market and a still buoyant stock market.

BIS puts activity at record $110bn

By Norma Cohen

ACTIVITY IN the international financial markets in the third quarter of 1988 is estimated to have reached nearly $110bn, its highest level ever and about 55 per cent higher than in the year ago period, according to the Bank for International Settlements.

The BIS, in its review of capital markets activity for the period, said that as in previous reporting periods, activity is concentrated within its geographical reporting period, with Japan being easily the the largest single taker of funds. Japan was also a significant supplier of new funds to the markets.

The demand for funds from Japan reflects not only the traditional build-up of bank positions ahead of the year-end reporting period but also an effort by banks to capitalise on the higher yields available in non-yen currencies. There was a considerable shift in interbank funds from Japan in the form of so-called round-tripping operations designed to circumvent domestic regulations on the transfer of funds between the Japan offshore market and onshore accounts.

Also, the expansion of Japanese banks' balance sheets may have been affected by the success in raising capital needed to comply with international guidelines.

But despite strong growth in the quarter, the amount of net new credit channelled through the international capital markets in the first nine months of 1988, at $250bn, is still well below the $273bn recorded in the same period of 1987.

The lower figure in 1988 may reflect the sizeable amount of debt conversion by major debtor countries in the developing world which had the effect of reducing reporting banks' claims on those countries. Also, an increasing number of outstanding bonds were either scheduled for redemption or repaid

(International Banking and Financial Market Developments. Bank for International Settlements - Monetary and Economic Department, February 1989).

CSFB handling of Toyota issue starts heated debate

By Andrew Freeman

CREDIT SUISSE First Boston's handling of an Ecu100m five-year issue which was launched for Toyota Motor Credit on January 30 has prompted heated debate among underwriters about the obligations of the lead manager during the stabilisation period.

The bonds were criticised by some traders at launch for not offering a generous yield to investors. As a result, some dealers, including members of the syndicate, apparently sold more bonds than they owned, hoping to buy them back later at lower prices.

Considerable short-selling of the issue was confirmed yesterday by an official at CSFB, who said that the firm now controls all the bonds in issue as well as additional exposure equivalent to a further 20 per cent of the Ecu100m.

CSFB was quoting a bid price yesterday of less 1¾, but declined to make a public price at which it would sell the bonds, saying it was dealing only by telephone and that the offer price would depend on who wanted to buy.

Elsewhere, some brokers were making an offer price of as high as 105, a level which implied substantial losses for traders with short positions. Generally, however, it was impossible to find an offer price and buyers were forced to deal with the lead manager.

This position, technically known as a short squeeze, aroused mixed feelings among Eurobond officials.

Some felt that those who sold the issue short deserved to take a loss, but commented that prices should not rise to unreasonable levels. "CSFB has the power to sit this out and make people sweat for a few days," said one trader.

There was speculation, however, that by not making an offer price, the lead manager was in breach of market practice regarding stabilisation.

The International Primary Market Association (IPMA), the trade organisation which represents new-issue underwriters, has a code of practice which requires includes recommendations on the making of two-way prices in securities.

CSFB defended its actions,

INTERNATIONAL BONDS

citing one IPMA rule under which it is only required to make two-way prices to registered dealers and that only Bankers Trust is currently registered as a dealer in the Toyota issue. CSFB said that Bankers Trust had not approached it asking for an offer price.

Further, IPMA recommendation 1.7 states: "Lead Managers should only enter into price stabilisation activity in order to encourage the orderly distribution of securities. Stabilisation actions with objectives other than orderly distribution are inappropriate." If CSFB's actions are intended to punish those who sold the issue short, it would appear to be in breach of IPMA guidelines.

IPMA, of which CSFB is a member, has no legal authority, however, and interpretation of what constitutes fair market practice remains unclear. An IPMA official declined to speculate on whether CSFB was in breach of its recommendations.

Some dealers also suggested that failure to make a market during the stabilisation period may effectively contravene the UK's Financial Services Act.

Under the act's terms, market-makers are forbidden to create a false market in any security. Withholding bonds might constitute a breach of this rule, but CSFB's legal department declined to comment.

Most co-managers contacted yesterday refused to comment on whether they had sold bonds short, but several confirmed that they were happy with the protection offered by the lead manager and expressed some sympathy with CSFB's predicament. CSFB offered full protection at launch and also to some co-managers who requested it the morning after issue.

The CSFB official said that the bulk of the bonds had been bought early last week, when it became clear that not only were co-managers of the issue wanting to sell their allocations back to CSFB, but also that traders who were not involved in the syndication were short-selling.

CSFB claimed that initial trading of the issue went well, with Ecu30m worth of bonds placed in Switzerland during the first day. However, a combination of what was seen as a tightly-priced issue, a weakening of the Ecu market shortly after the deal's launch and memories of previous issues by the same borrower which had been less than successful, saw the bonds trade on or outside fees.

The day after the Toyota issue, which carried an 8 per cent coupon, a similar Ecu deal by General Electric Capital Corporation came with an 8¼ per cent coupon, further reducing investor interest in the Toyota paper.

Citicorp names UK officer

By David Lascelles, Banking Editor

CITICORP, the largest US bank, has named a new corporate officer for the UK and head of its northern European institutional banking operations.

He is Mr Jeffrey Grandy, 49, who has been with the bank for 25 years and is currently head of the specialised finance division in the US.

He succeeds Mr Michael Welch, who is to become chairman of Citicorp's credit policy committee, and a member of its 30-strong policy committee. Mr Welch had also requested a transfer back to New York for personal reasons.

Mr Grandy takes over at a time when Citicorp is trying to formulate a more consistent long-term policy for the UK and Europe after a period marked by internal upheavals and frequent personnel changes. The region is under the overall control of Mr Paul Collins, a group vice chairman.

Oslo to list share/bond hybrid

By Karen Fossli in Zurich

NORWAY'S first primary capital certificates (PCCs), a new hybrid share/bond financial instrument introduced last September as a means for the savings banks to generate new equity capital, will offer investors a yield linked to the profitability of each bank.

They will be listed on the Oslo bourse this month.

"PCCs will form part of the savings banks' primary equity capital and will enjoy the same legal status as shares with respect to negotiability and acceptability as security for debt," Mr Erik Jarve, the president of the Oslo Stock Exchange, explained to a gathering of curious investment bankers in Zurich yesterday.

Norway's savings banks are owned by their depositors and thus cannot sell shares to raise equity capital. Instead, they have had to turn to innovative financings to raise capital.

Sparebanken Moere, a large Norwegian savings bank and Eiker Sparebanken, a smaller bank, issued the first two PCCs in November for NKr100m ($15m) and NKr25m.

The NKr100m offers investors a one-time incentive yield of 8 per cent for the first three months. The yield on the securities for the remainder of the year is determined by a formula linked to the profitability of Sparebanken Moere.

The NKr25m deal pays investors 8 per cent for two months as a one-time bonus, with the remaining yield linked to the institution's profitability.

Despite the poor performance of Norway's oil-driven economy and stock markets in November, both issues have been paid in and one was over-subscribed. Mr Jarve noted that Eiker's issue was last week included on the "over-the-counter" list and has been selling at a premium.

PCCs are not redeemable. According to Mr Kjell Remvik, the president of Sparebanken Moere, which launched the NKr100m PCC, the certificate was 61 per cent subscribed and foreign investors, two Danish and one West German, contributed NKr7.2m.

In addition, some NKr25m was raised in the Norwegian west coast city of Aalesund, where Sparebanken Moere is based, from first-time, non-professional investors who are traditional customers of the bank.

Mr Helge Stray, an official with the Norwegian Savings Banks Association, said yesterday that he believed "with the approach provided by the PCCs, prices in Oslo's second-hand market could be significantly boosted."

A dividend fund is also to be established to shield against market fluctuations when dividends otherwise may not be paid. Any surplus would be split 50/50 between the holders of PCCs and the Guarantee Fund of the Savings Banks.

With the recent boom in activity on the Oslo bourse PCCs are likely to arouse investors' interest.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
British Aerospace◆	100	10¾	100.048	2014	2¼/1½	BZW
CANADIAN DOLLARS						
Fed.Business Dev. Bank(a)◆	75	12	101⅞	1992	2/1⅞	Swiss Bank Corp.
D-MARKS						
Hypobank International◆	100	6½	101¼	1994	n/a	B.Hypobk-und Wechsel Bk.
YEN						
Bergen Bank(b)★★◆	2.5bn	7	101⅝	1993	1⅝	Drexel Burnham Lambert

◆Final terms. a) Put option at 100 on all coupon dates, when the coupon may be refixed at issuer's option. ★★Private placement. b) Redemption linked to Nikkei stock index.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday February 13 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Feb 10 Index No.	Thu Feb 9 Index No.	Wed Feb 8 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	901.81	-1.8	10.39	5.96	11.80	1.37	910.71	923.57	927.13	726.82
2	Building Materials (28)	1123.83	-1.4	11.34	4.06	10.85	0.35	1140.01	1150.71	1152.18	958.48
3	Contracting, Construction (39)	1653.08	-1.4	11.99	5.71	10.88	1.58	1676.10	1696.89	1708.29	1459.62
4	Electricals (10)	2635.75	-1.3	8.21	4.28	14.69	0.39	2670.36	2686.68	2673.16	2024.33
5	Electronics (30)	2031.17	-0.7	9.23	3.22	14.02	7.65	2045.95	2071.86	2086.34	1473.78
6	Mechanical Engineering (55)	479.69	-0.8	9.94	5.92	12.25	0.53	483.66	492.48	494.56	377.68
8	Metals and Metal Forming (7)	519.31	-0.4	14.78	5.67	7.65	0.00	521.34	522.39	523.42	427.78
9	Motors (17)	307.86	-0.6	10.62	4.29	10.93	0.00	309.72	315.73	317.73	275.66
10	Other Industrial Materials (22)	1512.62	-1.0	9.12	4.16	13.01	3.55	1528.45	1563.68	1571.74	1221.55
21	CONSUMER GROUP (186)	1167.64	-1.3	8.91	3.60	14.07	2.32	1182.50	1194.92	1203.17	1012.84
22	Brewers and Distillers (22)	1263.37	-0.9	10.08	3.52	12.39	0.03	1274.53	1292.18	1296.99	977.13
25	Food Manufacturing (21)	1045.11	-1.5	8.76	5.68	14.33	2.05	1061.34	1061.79	1069.06	827.31
26	Food Retailing (15)	2028.01	-1.2	8.94	5.46	14.71	0.17	2052.36	2075.63	2101.11	1992.32
27	Health and Household (13)	2120.43	-0.6	6.32	2.56	18.12	0.48	2132.40	2168.03	2189.17	1774.74
29	Leisure (33)	1554.09	-1.7	7.80	3.36	16.21	11.11	1581.29	1587.52	1578.66	1187.36
31	Packaging & Paper (17)	590.17	-0.7	9.45	3.88	13.16	0.53	594.19	603.80	607.36	496.06
32	Publishing & Printing (18)	3778.44	-0.6	8.42	4.16	14.88	3.38	3799.76	3865.14	3916.24	3411.98
34	Stores (33)	773.72	-2.6	10.99	4.47	11.97	1.64	794.52	804.78	806.72	795.28
35	Textiles (14)	516.16	+0.1	13.49	5.52	8.88	0.25	515.85	522.76	533.02	553.89
40	OTHER GROUPS (93)	1039.09	-0.8	10.18	4.16	12.00	0.24	1047.07	1056.49	1063.77	868.61
41	Agencies (18)	1196.72	-0.5	8.78	2.66	14.36	2.14	1202.80	1223.88	1234.25	1071.97
42	Chemicals (22)	1197.67	-0.9	10.70	4.40	11.26	0.23	1208.50	1226.00	1235.01	1032.95
43	Conglomerates (12)	1474.62	-1.1	10.49	4.93	11.00	0.00	1491.31	1480.59	1485.35	1159.32
45	Shipping and Transport (12)	2259.97	-1.6	8.80	3.69	14.86	0.00	2297.28	2314.81	2329.29	1818.52
47	Telephone Networks (2)	1096.16	.....	10.71	4.29	12.13	0.00	1096.69	1104.60	1117.23	945.56
48	Miscellaneous (27)	1431.95	-0.9	9.90	3.81	11.50	0.62	1444.83	1464.74	1477.60	1164.90
49	INDUSTRIAL GROUP (487)	1081.19	-1.0	9.67	3.85	12.78	1.48	1092.59	1104.72	1111.40	910.22
51	Oil & Gas (13)	1900.58	-0.6	9.69	5.84	13.20	0.00	1911.83	1929.96	1944.06	1760.71
59	500 SHARE INDEX (500)	1151.15	-1.0	9.67	4.12	12.83	1.37	1162.57	1175.23	1182.53	982.33
61	FINANCIAL GROUP (126)	749.86	-1.6	-	4.76	-	0.88	761.74	767.99	776.56	646.59
62	Banks (8)	754.38	-1.9	18.99	5.80	7.06	1.47	769.15	774.33	783.44	647.38
65	Insurance (Life) (8)	1036.81	-1.5	-	5.20	-	0.00	1052.52	1065.52	1086.92	962.11
66	Insurance (Composite) (7)	594.03	-1.6	-	5.26	-	0.00	603.61	608.17	611.64	499.72
67	Insurance (Brokers) (7)	1029.60	-2.1	8.50	6.31	14.69	0.68	1051.20	1070.36	1071.22	914.24
68	Merchant Banks (11)	350.99	-0.6	-	4.27	-	0.03	353.08	352.45	353.50	337.53
69	Property (53)	1297.89	-1.5	5.58	2.59	22.81	0.99	1317.46	1338.38	1339.17	1028.18
70	Other Financial (32)	384.95	-0.7	9.06	5.24	13.77	1.47	387.70	390.17	391.49	378.67
71	Investment Trusts (76)	1059.26	-1.2	-	2.89	-	1.26	1072.44	1083.66	1085.53	845.91
81	Mining Finance (2)	666.64	-1.9	9.17	5.14	12.15	0.00	679.59	678.48	676.82	410.10
91	Overseas Traders (8)	1415.07	-1.7	8.84	4.72	13.13	15.65	1439.44	1437.19	1419.54	1019.68
99	ALL-SHARE INDEX (712)	1053.37	-1.1	-	4.17	-	1.35	1065.13	1075.88	1082.84	892.47

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Year ago
FT-SE 100 SHARE INDEX♠	2032.7	-23.4	2037.3	2020.9	2056.1	2079.1	2096.2	2072.8	2044.3	1739.2

FIXED INTEREST

	PRICE INDICES	Mon Feb 13	Day's change %	Fri Feb 10	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	119.05	-0.02	119.67	0.59	1.85
2	5-15 years	137.07	-0.10	137.22	-	1.73
3	Over 15 years	151.33	-0.09	151.97	0.50	0.74
4	Irredeemables	175.72	+0.05	175.64	-	0.00
5	All stocks	134.32	-0.08	134.68	0.26	1.67
	Index-Linked					
6	5 years	131.88	....	131.87	-	0.00
7	Over 5 years	130.81	-0.09	130.92	-	0.58
8	All stocks	130.75	-0.08	130.86	-	0.53
9	Debentures & Loans	118.40	+0.58	118.59	0.69	1.31
10	Preference	89.71	+0.18	89.86	0.31	0.48

	AVERAGE GROSS REDEMPTION YIELDS		Mon Feb 13	Fri Feb 10	Year ago (approx.)
	British Government				
1	Low	5 years	8.92	8.91	9.10
2	Coupons	15 years	8.82	8.79	9.45
3		25 years	8.77	8.75	9.33
4	Medium	5 years	10.08	10.04	9.68
5	Coupons	15 years	9.27	9.26	9.66
6		25 years	8.92	8.92	9.50
7	High	5 years	10.22	10.19	9.78
8	Coupons	15 years	9.48	9.46	9.81
9		25 years	9.09	9.07	9.54
10	Irredeemables	†	8.75	8.75	9.44
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.57	3.57	2.44
12	Inflation rate 5%	Over 5 yrs.	3.59	3.58	3.87
13	Inflation rate 10%	5 yrs.	2.76	2.75	1.41
14	Inflation rate 10%	Over 5 yrs.	3.43	3.42	3.70
15	Debs &	5 years	11.73	11.63	10.93
16	Loans	15 years	11.23	11.20	10.90
17		25 years	10.73	10.79	10.90
18	Preference	†	10.03	10.04	10.51

♠Opening index 2034.2; 10 am 2032.8; 11 am 2022.1; Noon 2023.6; 1 pm 2021.0; 2 pm 2021.9; 3 pm 2024.1; 4 pm 2027.9; 4.05 pm 2028.3 (a) 9.36am (b) 1.08pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	82	18
Corporations, Dominion and Foreign Bonds	8	15	28
Industrials	268	634	681
Financial and Properties	61	336	273
Oils	18	35	47
Plantations	0	3	9
Mines	31	62	93
Others	68	85	91
Totals	463	1,252	1,240

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	355	CLF Yeoman	408		R0.24½	4.6	2.5	13.3
‡45	F.P.	-	58	45	♦Cassidy Brothers 10p	53		b3.08	2.0	7.7	8.4
245	F.P.	25/1	329	243	Compass Group 5p	322		R7.2	2.7	3.0	16.6
§100	F.P.	-	120	108	Europa Minerals 2p	120	+4	b1.0	-	1.1	-
§125	F.P.	-	138	131	♦Farepak 20p	138	+2	R4.75	2.8	4.6	10.6
§47	F.P.	-	49	46	Malaya Group 10p	46	-1	b2.0	3.7	5.8	6.3
†	F.P.	-	266	230	NFC Var. Vtg. 5p	257	-3	a7.0	1.8	3.8	18.8
§117	F.P.	-	122	110	♦Sandell Group 10p	122		L4.4	1.8	4.8	12.0
§140	F.P.	30/1	183	141	Secure Trust 1p	180		W7.09	2.3	5.3	11.0
§140	F.P.	10/3	148	143	♦Sheriff Holdings 5p	148		L5.25	2.4	4.7	11.9
♦	F.P.	-	£19[illegible]	£16[illegible]	Sumitomo Bank Y50	£17[illegible]	+⅛	Q15%	7.5	0.02	70.0
62	F.P.	-	72	70	♦Torex Hire 10p	71		u2.25	1.9	4.2	13.1
§185	F.P.	-	203	195	Wood (Graham)	201		R7.7	2.6	5.1	7.3

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Feb 6
- Last Dealings Feb 17
- Last Declarations May 18
- For settlement May 30

For rate indications see end of London Share Service

Calls in London Secs, Stormgard, Oliever Res, Rodime, Glencar, Bridgend, Br & Common, Randsworth, HTV, Bousted, Tusker Res, Norfolk Hse, Dixons, WA Hidgs, Stainless Metalcraft, Jebsens, Eurotunnel Wrnts, Jebsens, Pict Pet, Eagle Trst, Martin A, Elswick, Norfolk Cap, Lond Intl Southend Props, Control Secs, AMI, Healthcare. Put Hobson. P/C

LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 Index were the main feature of traded options business in London yesterday, totalling almost a third of overall business of 41,560 contracts, as the index itself reacted to a mixed, but generally depressing collection of economic news.

Turnover in the index lay in 13,132 contracts, consisting of 8,159 calls and 4,973 puts. Overall business was made up of 28,085 call contracts and 13,475 put. The February 1,950 and 2,100 calls each attracted over 2,000 contracts, and the February 2,050 puts over 1,000.

British Gas was the most actively traded individual stock, but not outstandingly so for a share of its market weighting. Total dealings in it came to 2,223 contracts, made up of 1,337 calls and 886 puts, arising from 50 bargains. The share has open interest of some 40,000 contracts.

There were reports of market maker trading in the option, but little heavy concentration of business in particular series. The March 180 calls found business of 530 contracts, and corresponding puts an amount of 436.

The index itself lost 23.4 points on balance to 2,032.7, with the recent upward pull on it exerted by the March future contract on the London International Financial Futures Exchange reduced to modest force.

Cadbury attracted interest, with 1,485 call contracts and 497 put. The most heavily traded series was the February 360 call, lying almost on the underlying price, which found 726 contracts. The February and May 330 calls brought turnover of some 300 contracts apiece, while on the put side there were just over 400 contracts in the May 360s.

[illegible]

UK COMPANY NEWS

Ex-Brierley executive to take control at UK engineering group

NZ buy-in plan at Noble and Lund

By Ray Bashford

TWO NEW Zealand businessmen are to take management control of and reverse their company into Noble and Lund, the engineering and office furniture group.

The deal is a prelude to a sharp change in direction for Noble which has languished in recent years with a record of unspectacular growth.

Mr Ross Martin, who was formerly an executive in the group of companies headed by fellow New Zealander Sir Ron Brierley, will take over as chief executive of Noble and will be joined on the board by Mr Peter Williams.

Noble will acquire the New Zealand-quoted Theseus Investments, quoted on the New Zealand stock exchange via a share swap arrangement. Mr Martin and Mr Williams have a 33.9 per cent stake in Theseus, a medical and dental supplies distributor and plastic and paper products group.

Noble is offering 4 of its shares for every 15 Theseus shares, which would respresent 31.1 per cent of the enlarged Noble capital.

Based on last Friday's closing price for Noble shares of 91½p, the offer values Theseus at NZ$23.7m (£8.3m) – 70 cents for each Theseus share.

Mr Martin said that his company's shares were suspended at 60p last Friday pending the announcement. Noble shares rose 6p to 97p yesterday following the release of details of the deal.

The new directors have also acquired 800,000 Noble shares, representing 6 per cent of the capital. This stake, coupled with their beneficial ownership through Theseus, boosts their holding in Noble to approximately 18 per cent.

Mr Martin said that he intended to pull the company out of engineering through the disposal of its two companies which operate in that industry. He said that the disposal would erase most of Noble's borrowings which stand at between £5m and £6m against net assets of between £12m and £15m.

Theseus' paper and plastics products operations in the UK were acquired from Noble last November for £2m cash and an 8.2 per cent stake in Theseus.

With these operations reinjected in Noble, the board will attempt to expand in the sector through acquisition.

Mr Martin said that the medical and dental supplies businesses would be broadened from its base in New Zealand into Australia where he sees scope for growth in a fragmented industry.

Petrocon restructures with cash injection

By Vanessa Houlder

PETROCON Group, the valve maker and survey group, yesterday announced a change of management and an injection of £2.6m of new capital. The reconstruction has been undertaken by a consortium headed by Hillsdown Investment Trust, an investment subsidiary of the Hillsdown Holdings food group.

The company is planning acquisitions within the next three months that would take it into the fields of distribution, engineering or electronics. "We would not shy away from quite a large transaction," said Mr Michael Teacher, a director of HIT who will become a non-executive director of Petrocon.

The deals are being planned by Mr Roger Pinnington, chairman of Blackwood Hodge, who will be appointed chief executive and chairman.

Petrocon plunged into loss in 1986, following the collapse in the oil price. After its rationalisation and disposal programme, the business returned to profitability in the six months ended June 30, making £108,000 pre-tax. It estimates £435,000 for the whole of 1988.

Following Petrocon's withdrawal from the oil service sector last year, it has assets of just £4m, of which £2m was in cash. "Petrocon has been through a difficult history but it is a fairly clean base and is in a good situation to grow and go forward," said Mr Teacher.

Mr Peter Hodgson, the present chairman, welcomed the opportunity for Petrocon rapidly to broaden its industrial base. It had decided against building itself up through acquisitions, as this would be too lengthy a process, he said. It also had dismissed several offers to reverse into Petrocon, because of unattractive terms.

Following the deal, Petrocon will have £4.6m in cash. In addition, Kleinwort Grieveson and Hill Samuel, the other members of the consortium, have indicated that they will support further borrowings.

The consortium will subscribe in cash for 5.85m new shares, representing 29.9 per cent of Petrocom, at 46p per share. HIT will finish with 17.9 per cent of Petrocon and Kleinwort Benson and Hill Samuel will each have 4.6 per cent. Petrocon's share price yesterday rose by 10p to 69p.

This is the second investment in a public company to be made by HIT, which was established in May 1987 to provide investment capital and management support to developing businesses.

Mr Hodgson and Mr Alan McClue, managing director, intend to resign. Mr John Carney, finance director, will be appointed group managing director.

Goldberg ties up 2.3% more of Tootal

By Ray Bashford

MR ABRAHAM Goldberg, the Australian textile manufacturer, has acted swiftly to lift further his holding in Tootal following the UK textiles company's rejection late last month of his merger proposal.

The Australian's holding has increased from 17.2 per cent to 19.5 per cent through the acquisition of a further 6.5m shares.

Mr Goldberg has been the main force in the market for Tootal shares as they have moved between a comparatively narrow price range since the beginning of this year. The company's shares yesterday were ½p firmer at 130¼p.

The stake building has continued rapidly since late last year when Mr Goldberg disclosed a 9.2 per cent holding. As the merger plan with Tootal was being discussed the Goldberg stake was 14.4 per cent.

Three days after Tootal rejected firmly the Goldberg proposal, based on a shares-for-assets swap, the stake was lifted to 17.2 per cent.

The Australian has given no indication of his intentions following the rejection. However, Mr John Craven, chairman of Tootal, earlier this month said be believed that there was "some other agenda . . . which will no doubt be revealed in the fullness of time."

S&N to cite the structure of Elders to MMC

By Lisa Wood

Criticism of the structure of Elders IXL will form part of the defence by Scottish & Newcastle Breweries against its Australian predator when it begins giving evidence to the Monopolies and Mergers Commission today.

The MMC, which took evidence from Elders last week, is due to make its report on Elders' £1.6bn takeover bid for S&N next month.

S&N's evidence to the MMC has been widely leaked, and it is understood that the company will try to persuade the MMC to broaden its inquiries out from the basic competition and regional issues thrown up by the bid into the very structure and financing of the Australian brewing-based multinational.

S&N said yesterday: "The public issues attached to the Elders' structure and share dealing are highly relevant to the competition, regional and employment issues which are the principal focus of the MMC inquiry."

S&N is understood to have highlighted several areas where it is concerned about Elders' unconventional structure, including Monaco-registered Harlin Holdings, a company in which senior Elders executives hold a substantial stake. Harlin holds 18.6 per cent of Elders' issued capital but this could rise to more than 30 per cent if certain options granted to Harlin are exercised.

Chairman lifts Bear Brand stake

By Nikki Tait

MR NICK Oppenheim, chairman of Bear Brand, yesterday announced that he had increased his stake in the company from just over 3.9 per cent to 4.48 per cent – and said that he planned to buy more shares.

Mr Oppenheim's share-purchasing comes in the wake of public opposition last weekend from Dr Ashraf Marwan, the Egyptian financier, concerning Bear Brand's plan to raise £5.72m via a 2-for-3 rights issue.

Dr Marwan, who has put out a press statement questioning why Bear Brand should make the right issue when it has put no firm proposals before shareholders, said that he would oppose the fund-raising plan in respect of his own stake and that Ifincorp is also taking his side - together accounting for 18.7 per cent of Bear Brand's equity.

In addition, Dr Marwan said that his stance is supported by Sheikh Al-Dahlawi, who has a further 5.8 per cent of Bear Brand. But yesterday, Tranwood Earl, which is underwriting the issue, said that it was "still trying to clarify" Sheikh Al-Dahlawi's position. It said that Sheikh Al-Dahlawi had previously lodged proxies in favour of the proposals.

If Dr Marwan's opposition is sustained until the meeting on Friday morning to approve the scheme, it poses a serious problem for Bear Brand. The proposals need 75 per cent approval.

Bear Brand takes in a small hosiery business and was spun off as a separate quoted company when Tranwood Group "demerged" its financial services business from the original core operations last June. The financial services side acquired a USM quote and kept the Tranwood name.

Dr Marwan is understood to have sold a sizeable holding of Tranwood shares, and purchased around 8m additional Bear Brand shares in September. He currently holds 9m or 10.3 per cent of the equity.

Bear Brand reported pre-tax profits sharply reduced from £1.03m to £186,000 in the year to end-December, with the hosiery interests showing a trading loss. The company's directors have talked about diversification following the rights issue, but have not specified particular areas.

March shares suspended

By John Griffiths

TRADING in the shares of March, the loss-making racing cars and engineering group, was suspended yesterday.

No immediate explanation was forthcoming. But the move was expected to herald March's return to private ownership after two lacklustre years on the Unlisted Securities Market.

A "further announcement" was promised yesterday. It is expected to confirm that Mr Akira Agaki's Leyton House industrial property group is making a cash offer of 50p per share for the 38.5 per cent of March's shares not already owned by Leyton House or by Mr Robin Herd, who founded March.

The offer would put a £7.5m value on March, which is expected to report pre-tax losses of about £4.5m for the financial year ended last October.

Leyton House, March'e main grand prix racing sponsor, already holds a 20 per cent stake, which it acquired at the end of 1987. Mr Herd and his family have a 41.5 per cent holding.

Chelsfield has 6.6% of Laing Properties

Chelsfield, the private property company headed by Mr Elliott Bernerd, has raised its stake in Laing Properties to 6.65 per cent. This follows the purchase of a further 700,000 shares, taking its total to 3.89m.

The initial build-up of Chelsfield's stake first came to light last summer. Since then, according to Mr Brian Chilver, Laing Properties chairman, there has been some contact between the two companies.

The latest share purchases, he said, had not surprised the company, nor was it seriously worried by Chelsfield's increased holding.

SHARE STAKES

The following changes in share stakes were announced recently:

Burndene Investments - Brada Trust has bought a 9.9 per cent stake in the Hull-based hosiery and caravans group from J.S.M. Settlement.

Centreway Trust – Wesleyan and General Assurance has purchased 120,000 ordinary, raising its holding to 362,500 (9.6 per cent).

Daks Simpson Group – Mrs HM Simpson has acquired 500 shares taking her holding to 157,325 (15.73 per cent). Mrs YG Andrews, director, disposed of 50,000 'A' non-voting shares registered in the name of Strand Nominees. She now holds 456,672 (8.42 per cent).

Davis (Godfrey) Holdings – Clients of Stewart Ivory and Company acquired 4.69m ordinary shares (5.6 per cent).

Drayton Consolidated – London and Manchester Group now holds 1.74m ordinary (5.09 per cent).

Fobel International – Overland Investment Singapore Pte acquired 250,000 ordinary (1.4 per cent) making total holding 1.58m ordinary (9 per cent).

Leisuretime International – Following recent sales Quantum Fund of Curacao is the beneficial owner of 1.55m ordinary (3.6 per cent).

MAI – Norwich Union Life Insurance has reduced holding to 18.31m ordinary (5.81 per cent).

Prism Leisure Corporation – Mr George Akins has acquired a further 200,000 shares and now holds 395,000 (10.01 per cent).

Rights and Issues Investment Trust – Discretionary Unit Fund now holds 125,000 capital shares (7.81 per cent). It also holds 85,000 income shares (3.54 per cent) and the combined holding represents 5.68 per cent of the voting registered in the name of Talbot Nominees a/c A. Discretionary Unit Fund also has a total holding of voting shares, acting by agreement or understanding with Greig Middleton and Co., of 622,500 capital shares and 104,000 income shares (21.6 per cent of the voting rights).

Strong & Fisher – Mr R. Strong, managing director, is interested in 950,547 ordinary (5.09 per cent).

Titon Holdings – Mr John Anderson, chairman, has sold 1m shares at 83p per share. He continues to hold 2.89m and has no intention of making any more disposals in the foreseeable future. The majority of the shares were placed with institutional investors.

Whitegate Leisure – Hornby Trading Inc is interested in 6.33m ordinary partly paid shares, representing 7.4 per cent of Whitegate's partly paid and fully paid capital.

UK COMPANY NEWS

Rising interest in the yeast trade

Clare Pearson on the Universal bid landing Berisford in hot water

UNIVERSAL FOODS, a Wisconsin-based fermenter of baker's yeast, has not, in its 100-year history, found itself much under the spotlight either in the US corporate arena or elsewhere.

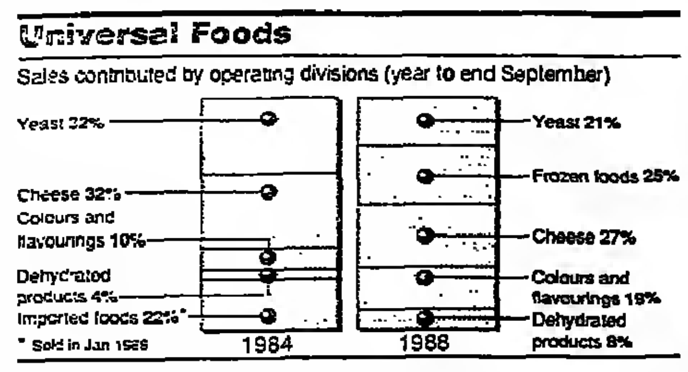
So it has struck the company as not a little surprising to suddenly find itself at the centre of a transatlantic drama which last week involved Berisford International, the UK sugar processing and commodities group, in a major row with Associated British Foods, its biggest shareholder.

Unfortunately for Universal, attention has been drawn to it in the most unwelcome way possible: through a hostile bid from Amanda Acquisition, a subsidiary of High Voltage Engineering. Berisford comes in because through its subsidiaries it partially owns High Voltage and it is also providing a large portion of the financing for the $640m (£365.8m) deal.

In US court proceedings, Universal has contended that this is really a disguised takeover by Berisford (which last week changed its name from S&W Berisford). This allegation has led ABF, with 23.7 per cent, to assert that Berisford should be consulting its shareholders about the matter.

The offer has appeared at a particularly annoying time for Universal. It is enjoying the benefits of a repositioning programme instituted four years ago. Moreover, competitive pressures are abating in fermentation, the core division in which it is thought Berisford is most interested.

Mr Geoffrey Hibner, Universal's finance director, says: "Universal has a bright future based on its efforts of the last few years and now is not the time to sell it to High Voltage or anybody else."



The offer did not, however, come totally as a bolt from the blue. Although speculation has not exactly swirled around Universal over the years, it has surfaced from time to time. It intensified in 1988 as Labatt, the Canadian brewer, was mentioned as a possible predator.

In February last year, Universal was sufficiently concerned about a near-5 per cent stake built up by the Hubbard Group that it paid $18m to purchase shares at a 20 per cent premium to the then-market price.

Following a path taken by many other US companies, it has also bolstered its defences with a poison-pill "shareholder rights" plan which confers the power to dilute a raider who accumulates more than 20 per cent of the shares.

In terms of industrial arguments, Universal's management has not yet bothered to play its hand. It has merely cited its recent record – a 67 per cent increase in turnover and an 80 per cent rise in earnings per share over a four-year period – as evidence that High Voltage's $35-a-share cash offer is not enough.

Analysts agree. After net earnings of $27.63m ($24.81m) in the last financial year, on turnover of $721.28m ($711.46m), Universal's first-quarter figures have been encouraging and analysts now expect after-tax earnings per share of $2.30 to $2.40 for the year to September 30. This is up from $1.85 last year (or $1.67 taking into account the effect of a non-recurring charge for the share repurchase).

On this basis, Mr Martin McDevitt, an analyst at Milwaukee stockbroker Cleary Gull Reiland McDevitt & Collopy, says the High Voltage offer is some $5 short of the mark. The shares have traded above or around the offer price.

The main thrust of Universal's repositioning programme, which it began in 1984, was to diversify away from baker's yeast which used to account for between a third and half of its sales.

In the early 1980s, Universal and Anheuser-Busch, the biggest US brewer, become embroiled in what Mr William Leach, food analyst at stockbroker Donaldson Lufkin & Jenrette, describes as the "dumbest price war in history" over baker's yeast.

But with the withdrawal of Anheuser last summer, Universal, which accounts for about 40 per cent of the market, now finds itself as the potential price leader in a market otherwise spread between a subsidiary of Gist-Brocades, the Dutch biotechnology company, and Fleischmann, a subsidiary of Burns Philp, the Australian food retailing and trading company.

Last October saw a rise in the price of yeast to $36 per pound and another increase may be in the offing. Price changes have a considerable impact on Universal: Mr McDevitt estimates that every 10 cent increase is worth about 7 cents per share net to Universal.

Universal also sees a bright future for its recently created frozen foods division, which principally supplies potato products for the fast-food industry. Revenues in this division rose by 53 per cent to $177m in 1988, partly through acquisition.

The rest of the company's businesses – cheeses and flavourings and colourings – represent a mixed bag. Both imported cheeses and colourings were, for instance, hit by the strength of the dollar in the last financial year.

Booker lifts health care interests with French buy

By John Thornhill

BOOKER, the international food, agriculture and health products group, has strengthened its interests in health care and toiletries through the acquisition of two French companies, L'Herbier de Provence and IFAS.

L'Herbier de Provence owns 90 shops in France and other European countries selling herb-based toiletry and cosmetic products and nutritional supplements. IFAS makes toiletry, cosmetic and herbal products for L'Herbier and other retailers.

The two companies were formerly subsidiaries of La Vie Claire, the French health food chain in which Booker acquired a 38 per cent stake in 1986.

Booker had an option to buy the majority shareholding of La Vie Claire by 1990. It has now forgone this option and sold its stake to the majority shareholder, Bernard Tapie Group, effectively in exchange for the two companies.

Mr Angus McKenzie, chief executive of Booker Health Products, said yesterday that Booker had not been impressed by the profitability of La Vie Claire's other concerns and had decided to concentrate on those areas related to its mainstream business.

Booker already has substantial interests in this field. It operates Booker Nutritional Products, the UK market leader in branded nutritional and dietary supplements; Holland & Barrett, the health products retail chain; and Kingswood Chemists, the pharmacy chain.

Yorkshire Bank up 13% and still most profitable in UK

By David Lascelles, Banking Editor

YORKSHIRE BANK, the Leeds-based institution owned by four clearing banks, held its place as the UK's most profitable bank yesterday with a 13 per cent increase in pre-tax profits.

The group made £100.4m, thanks mainly to a strong rise in lending activities in both the business and personal sectors. The bank's capital and reserves rose 21.4 per cent to £300.2m, and total assets were up 33.7 per cent at £3.2bn.

Mr Graham Sunderland, chief executive, said that lending had risen strongly throughout 1988, and had continued into January despite the recent sharp rise in interest rates. The evidence, he said, was that higher rates "are not biting".

"We are a long way from the economy being choked down," he said, commenting that the mild weather had contributed to buoyant demand.

Yorkshire Bank's business lending rose by £362m to £1.15bn, and personal lending rose by £100m to £686m. Mortgages were up by £96m to £188m. The charge for bad and doubtful debts was up by £4.4m at £15.8m.

The group's overall profitability, which is among the highest of any bank in the world, declined slightly last year. Total return on assets fell from 3.5 per cent to 3.6 per cent. Mr Sunderland attributed this to higher competition and narrower margins. Most UK banks earn about 1 per cent on their assets.

The bank is paying a dividend of £18m to its shareholders, an increase of 17.5 per cent. These are NatWest, Barclays, Lloyds and the Royal Bank of Scotland. With its retained earnings, the bank's risk asset ratio is around 12.7 per cent, Mr Sunderland said, which was near the point set by the Bank of England under the new international capital rules.

Yorkshire Bank continues to expand its business. It expects to open its 250th branch this year, and hopes to raise its number of Visa cardholders from 230,000 to over 300,000.

The bank is also introducing a new current account which pays interest. Mr Sunderland said this would cost the bank £5m to £6m this year and £12m in a full year assuming half its customers convert to the new accounts.

L&G has nearly 10% of GT Management

By Nikki Tait

Legal & General, the large insurance group, has acquired another 656,030 shares in GT Management, the UK fund management group which is subject to a recommended cash or paper bid from Bank in Liechtenstein.

The latest shares – bought at 180½p, just ½p above the cash terms offered by BIL – take the L&G holding to 5m shares or 9.93 per cent.

This puts L&G very close to the 10 per cent level at which it can effectively prevent the bidder from mopping up all the outstanding equity in the fund management company. L&G believes that the terms offered by BIL "are a bit low." It says it was consulted by GT directors when the deal was first announced, and expressed a similar view then.

There appears to have been no further significant contact between the institution and the BIL camp since. BIL, the Vaduz-based bank which is controlled by the Liechtenstein royal family, had irrevocable undertakings to accept in respect of 31 per cent of GT's equity when it announced the offer and quickly picked up sufficient shares in the market to take it over 50 per cent. It is expected to post its formal offer document for GT within the next few days.

Yesterday, GT shares were unchanged at 181p.

Rowland-Jones in fresh bid for control of Bremner

By Philip Coggan

MR JAMES Rowland-Jones has launched yet another attempt to regain control of Bremner, the stockbroking and property company of which he was once chairman.

The redoubtable Mr Rowland-Jones has requisitioned yet another extraordinary general meeting at which he proposes that his successor as chairman, Mr Dennis McGuinness, and three other board members, be replaced by himself and two others. Several attempts to oust Mr McGuinness failed last year.

Bremner has been the subject of many boardroom battles in recent years with Mr Rowland-Jones frequently at the centre of the action. The company has attractions as a "shell" especially since it has a cash pile which is normally the main source of profits.

Mr McGuinness arrived at the company when Carswell, the Glasgow stockbroker, was acquired by Bremner in 1987. Since he was ousted, Mr Rowland-Jones has repeatedly questioned the profitability of Carswell.

"If the company was making profits and paying dividends I'd have given up," Mr Rowland-Jones said yesterday. Last month, Bremner reported interim pre-tax profits of just £23,000 and passed its dividend, despite interest income of £198,000. Carswell made a £24,000 loss.

Mr Rowland-Jones believes the poor results may encourage more Bremner shareholders to support his cause. He himself has sold 79,000 shares – "to pay for school fees," he said – but retains 14 per cent of the equity.

Mr McGuinness said "this is the fifth time in 13 months that Bremner has been faced with potential disruption of the board as a result of Mr Rowland-Jones's actions. It is most regrettable that yet again shareholders' money and the board's time are being wasted by his actions."

Tenders total 60% in IBC's share buy-in

By Clay Harris

Nearly 60 per cent of shares in International Business Communications (Holdings) were tendered for sale last week to the newsletter publisher and conference organiser. The company's offer to buy in up to 40 per cent of its shares at a fixed price was the first such on-market tender in the UK.

Mr Michael Bell, chairman and chief executive, yesterday described the outcome as "very satisfactory". IBC shares returned from suspension at 144p, before closing at 140p, compared with the tender price of 150p.

IBC received tenders for 59.5 per cent of its shares. Shareholders offering to sell up to 40 per cent of their shares will be satisfied in full. Other tenders will be satisfied in full for the first 40 per cent, and for 33 per cent of the excess amount.

HOW THE IBC TENDER WORKED
(per 1,000 shares owned)

Shares tendered	Shares bought by IBC
0-400	all
500	433
600	466
700	499
800	532
900	565
1,000	598

Allocations subject to rounding

Grahams Rintoul

Grahams Rintoul Investment Trust, the former Leda Investment Trust which became a subsidiary of American Express Bank in June 1987, reported a net asset value of 248.9p at December 31 1988. At the end of 1987 the NAV stood at 245.3p.

Revenue before tax for 1988 advanced 63 per cent to £2.18m (£1.34m), with gross revenue increasing 64 per cent to £2.78m (£1.69m). Of this franked income more than doubled to £2.08m (£771,000).

The dividend for the year is 1p and Mr B Friend, chairman, said that the board hoped it would be able to recommend progressive dividend increases from this prudent start.

Suter's £8.75m sale ends rationalisation

By Ray Bashford

SUTER, the industrial holding company facing a possible takeover bid, has ended a rationalisation programme which has grossed in excess of £100m during the past 18 months.

The rationalisation comes to a conclusion with the disposal of WM Still and Sons, a catering equipment business with net assets estimated at £5m. The company is being sold to Hobart Food Equipment for £8.75m.

Mr Brian Hoare, Suter's finance director, said that several companies in the catering equipment business had expressed interest in Still and the Hobart deal was struck after two months of negotiations.

Early last year Suter made the decision substantially to lower borrowings to protect against uncertainty following the shake-out in the share market.

The Still sale leaves it with a cash surplus of about £10m, in line with the forecasts made when the rationalisation programme was commenced.

Suter's gearing peaked at 136 per cent immediately after the acquisition of Mitchell Cotts, the engineering and chemicals company, for £77m in June 1987.

The sales of parts of Mitchell Cotts has been central to Suter's degearing plans and they have contributed about £65m to the total figure for the disposals.

The other major sell-off was the company's stake in Avdel, the industrial fasteners company, for £28m.

Suter received a request for information last month "in the context of the possible offer" after a planned takeover from Thomson T-Line, the industrial holding company, collapsed and a planned management buy-out plan failed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abingworth, Amstrad, Automagic, GT Venture Inv, Riva, Sinclair Goldsmith, Transrap.

Finals- Cranbrook Electronic, Egerton Tst, Kymmene, Leslie Wise, Mersey Docks & Harbour, Reuters, Trust of Property.

FUTURE DATES

Interims-	
Creston	Feb. 22
FII	Feb. 22
Peters (Michael)	Feb. 21
Finals-	
BICC	Mar. 7
Cadbury Schweppes	Mar. 2
F & C Enterprise	Feb. 16
Foreign & Colonial	Feb. 22
Norish	Feb. 23
OCE UK	Feb. 20
Owners Abroad	Feb. 16
Quotient	Mar. 9
Transport Development	Mar. 13
Yeoman Inv Tst	Feb. 17

UK COMPANY NEWS

Poison pill abandoned after institutional pressure

Courtney alters acquisition 'earn-out' terms

By Nikki Tait

INSTITUTIONAL pressure has provoked a change in the "earn-out" terms on which Courtney Pope, the shop-fitting, engineering and electrical group, plans to acquire Quickwood, a privately-owned business which carries out shopfitting work for fashion retailers.

Today's meeting, at which the Quickwood acquisition was to have been considered, is likely to be adjourned.

Earn-outs refer to acquisition payment structures where the purchasing company pays a consideration up front, and then a series of staggered payments. The subsequent payments usually depend on profit performance at the company being acquired.

Such structures have become popular among "people" businesses – particularly in the agencies sector. However, they have run into some disquiet from institutional shareholders and analysts. Dangers which have been highlighted include the absence of "caps" on the maximum amount which can be paid under a deal, and the fact that if a deal is to be satisfied in paper, it may become highly dilutive. A few deals – notably, the VPI acquisition of Carter Organisation – have been revised in the wake of the changed stock market conditions.

The Courtney Pope deal ran into initial objections for a slightly different reason. Under the earn-out, Quickwood's vendors were to be paid an initial £4.55m and further sums dependent on profits up until 1993. However, if there was a change of de facto control prior to 1993, Courtney Pope proposed to pay the vendors the difference between £10m and the sums already handed over.

It was suggested that this agreement would represent something of a "poison pill" at Courtney Pope – something which has always been an anathema to British institutions.

Courtney Pope said yesterday that it has already agreed to drop this particular clause.

However, certain other aspects of the earn-out are also being revised. It seems likely that a "cap" will now be put on the total amount payable and that the earn-out period will be reduced from four to three years.

Courtney Pope said yesterday that Quickwood had reacted to the request to revise the terms with "quite an element of goodwill." It added that it believed the "synergy in the deal" was still "absolutely right."

Ricardo abandons court proceedings

By Nikki Tait

RICARDO, the Sussex-based designer of engines and transmissions which is fighting a £21m bid from First Technology, yesterday abandoned further court proceedings against the bidder, Hoare Govett Securities, CL Alexanders Laing & Cruickshank, Shearson Lehman Hntton Securities and West Nominees.

However, a freezing order on a 1.9 per cent stake in Ricardo registered in the name of IA&N Nominees, which represents an interest held of behalf of Zurich-based Privatbank, remains in place. And the 472,000 Ricardo shares held by Jocar Nominees – a Jersey-based Laing & Cruickshank nominee account – also remained frozen last night, with a further hearing over this interest due to take place in the High Court today.

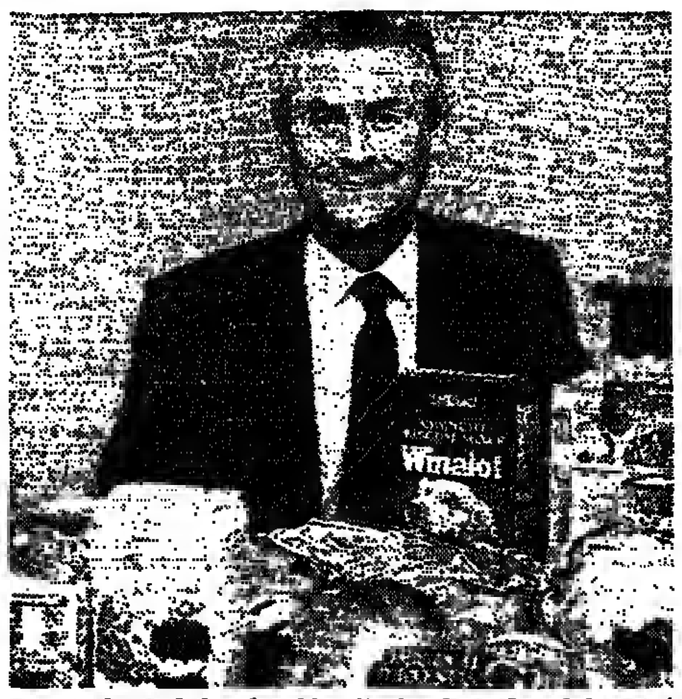
Of the total Jocar holding, 371,500 shares belong to CH Industrials. On Friday, CHI's separate attempt to unfreeze its total 6.3 per cent stake in Ricardo (918,000 shares) was successful when the jndge found against Ricardo after a three-day hearing. However, this part of CHI's interest remained frozen ahead of the Jocar hearing.

Yesterday, Ricardo was still seeking to discover from Jocar who the heneficial owner of certain other shares registered in its name – in particnlar, those beloogiug to an organisation called Sylvanus – might be.

Ricardo first applied to the courts two weeks ago when replies to certain section 212 notices proved unsatisfactory.

In the course of the CHI hearing, Ricardo sngested that it helieved that there might be a section 204 agreement – essentially a concert party agreement – covering certain shares and extending beyond irrevocable undertakings to accept the offer.

Yesterday, however, the company said that it had decided that it was not cost-effective for its shareholders or particularly efficient in relation to the bid timetable to further pursne the matter through the courts.



Strong demand for dog biscuits in the UK and bnoyant international beef prices helped Dalgety, food, agribusiness and commodities group, lift pre-tax profits by 9 per ceot to £51.7m in the six months to end-December, writes Clare Pearson. Mr Terry Pryce, chief executive, said: "This was a sound performance for the group in the context of mixed markets for its products."

Twin disasters in the form of a fire at the main Golden Wonder snacks factory in Corby, Northamptonshire, in September and the effects of the salmonella-in-eggs scare sparked by Mrs Edwina Currie, then junior Health Minister, before Christmas, had little effects on the results.

Mr Pryce said Dalgety's strategy of focussing on businesses "in the food chain" was now largely in place, and it continned to look for acquisitions especially in the US. Boasting such brand names as Homepride, Winalot and Golden Wonder, Dalgety claims either market leadership or number two position in 90 per cent of its markets.

Scottish Ice Rink aborts £1.2m deal

By David Waller

SCOTTISH ICE Rink (1928), an archetypal shell stock, will not be going ahead with its plans to buy the Pheasantry Group, best known for its Italian wine-bar and restaurant in London's King's Road.

The deal, which would have cost the former ice-rink company up to £1.2m, was announced in December.

Yesterday, Scottish Ice said that the negotiating period had lapsed and that the board had decided that a renewal of the discussions would not be in the best interests of the company.

"Therefore the company is currently reviewing other acquisition opportunities suited to its strategic aims and will make an announcement in due course", Scottish Ice said.

Scottish Ice Rink emerged from obscurity just over a year ago when a consortium of investors, including Sheffield United Football Club, took a 25 per cent stake.

Two new directors came aboard in June last year.

The plan was to sell the ice-rink site, which had been turned into a snooker hall after the roof caved in, and inject some assets. The shares remain suspended at 84p, valuing the company at £5.7m.

Opposition to Piccadilly merger mounts

By Philip Coggan

MISS WORLD Group, the radio and beauty contest company, said yesterday it had received indications that 41 per cent of the shareholders of Piccadilly Radio, the Manchester-based radio group, would oppose a merger with Midlands Radio Holdings at next Monday's extraordinary general meeting.

Rejection of the Midlands Radio merger is a condition of Miss World's £35m bid for Piccadilly. Independent Broadcasting Authority rules state that no company can serve more than 15 per cent of the total UK audience. Miss World owns the Red Rose radio chain and a combined Red Rose/Piccadilly/Midlands would breach the 15 per cent limit.

Miss World also said it had received irrevocable acceptances to accept its offer, and to vote against the Midlands merger, from nine shareholders in respect of just nine shares.

Those same nine shareholders in fact own 11.1 per cent of the voting shares but Miss World is anxious not to breach the 29.99 per cent limit, set under Takeover Panel rules, on irrevocable acceptances. The 11 per cent would not breach the limit, but Miss World's advisers, Citicorp Scrimgeour Vickers, said it wanted "room to manoeuvre" at a later stage in the bid. Indications, such as have been given by 41 per cent of voting owners, do not count as acceptances under the Code.

The terms of the irrevocable acceptances are understood to have been framed in order to avoid breaching the company's Articles of Association which require those holding voting shares to give first option on their holdings to other voting shareholders.

The merger requires a simple majority of those voting at Piccadilly's EGM.

Piccadilly's defence document argues that the Midlands merger is much more attractive than the link with Red Rose. It says that directors will vote in favour of the Midlands merger in respect of their holdings of 18 per cent of the voting equity. One director, Mr Douglas May, is in the US and has proved uncontactable.

The Miss World offer is 68 of its shares for every 100 voting shares and 61 for every 100 non-voting. On last night's share price that values the voting shares at 352p and the non-voting at 316p. The non-voting currently trade at 285p.

Armour Trust advances 37% pre-tax

An advance of 37 per cent in pre-tax profits for the half year ended October 31 1988 is reported by Armour Trust, which is engaged in confectionery manufacturing and distribution of electronic components and car accessories.

Turnover rose 20 per cent to £11.58m (£9.68m) while the profit came out at £1.01m (£738,000). Earnings were 2.69p (1.97p) and the interim dividend is raised to 0.25p (0.2p).

Mr Andrew Balcombe, chairman, said that group turnover until Christmas was ahead.

He also announced that Grand Central Investment Holdings had lifted its stake in Armour from 1.92m to nearly 2.6m shares (10.2 per cent).

Gartmore European net assets increase

Gartmore European Investment Trust reported a net asset value of 358.8p at December 31 1988. This was a 3 per cent rise over the 347.6p at June 30 and a 15 per cent increase on the 313p at the last year-end.

Gross revenue in the six months to end-December rose from £299,654 to £327,137 and revenue before tax advanced from £70,576 to £109,293. Earnings were 1.64p (0.85p).

The managers of the trust said that most continental markets had performed strongly. A modest portfolio rebalancing had seen reduced investment in the UK and Switzerland and increases in West Germany and Italy.

Carroll changes year-end to assist fish stock-take

By John Thornhill

BECAUSE ICE floes make it easier to record cash flows, P J Carroll and Company, the Irish fish farmer, cigarette manufacturer and mail order group, is to change the dates for reporting its financial year.

The company has said that the lower winter temperatures following the winter months help the grading and counting of its fish stocks. Therefore its financial year-end will be changed from September 30 to March 31.

The company's direct marketing activities, however, will report on a calendar year basis.

The current accounting period will run for 18 months from October 1 1988 for the tobacco and aquaculture divisions and for 15 months for the direct marketing division.

Mr Donal Carroll, chairman, said that to ensure that the flow of shareholders' income was not adversely affected, interim dividends of 4.1p would be paid in July 1989 and in January 1990 for the six-month periods ending March and September 1989 respectively.

These payments will equal the 8.2p per share paid for the 12 months to September 30 1988.

A final dividend will be proposed at the annual meeting in September 1990 following the results for the 18-month period to March 31 1990.

Triton Europe downturn

TRITON EUROPE, the oil and gas explorer and producer, reported net profits of £407,000 for the half year ended November 30 1988, compared with £2.24m in 1987.

Turnover fell to £12.16m (£17.95m). Earnings worked through at 0.49p (2.72p).

Mr H. Brewer, chairman, said the recent increase in oil prices was encouraging and would be directly beneficial.

He indicated the company would continne to pursue development of existing oil fields, intensify exploration efforts in preseot areas of operatioo and expand into new countries.

The company has interests in France, the North Sea and onshore in England.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armour Trust	int	0.25	May 12	0.2	-	0.909
Dalgety	int	6.5†	July 3	6	-	15
TR Pacific Inv	fin	0.2	-	-	0.2	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

COMMODITIES AND AGRICULTURE

Gold bullion price touches lowest point for two years

By Kenneth Gooding, Mining Correspondent

AS THE gold bullion price fell to $383 a troy ounce at one point yesterday, its lowest level for more than two years, there emerged the prospect that the market might be given another body blow, this time by Venezuela.

Two Venezuelan newspapers carried confusing reports that their country's central bank had approved a plan for a $600m gold loan.

If this eventually proves to be true, it would be by far the biggest gold loan so far reported and would involve the market having to absorb about 1.5m ounces or 45 tonnes of the precious metal.

"The timing could not be worse – gold is already on the ropes," said Mr Andrew Smith, analyst with the UBS Phillips & Drew securities group.

On the face of it, the newspaper reports suggest that Venezuela would repay the gold loan over five years from metal mined in the south eastern Guayana region. There would be a two-year grace period for principal payments and the annual interest rate would be 3 per cent.

The unusual element in the arrangement would be for Venezuela to deposit bullion as collateral in the Bank of England from its central bank reserves, currently totalling 11.46m ounces of gold, to assure repayment.

There was no clarification from the Venezuelan authorities yesterday but Reuter reported at the weekend that Venezuelan finance ministry officials had said recently the Government had been exploring the possibility of obtaining credit based on future gold sales since the middle of 1988.

In December 1987 the central bank began an aggressive buying programme for gold from private miners in the Guayana region and last year exported metal worth about $300m.

Analysts in London yesterday pointed out, however, that the reports from Venezuela were not particularly clear and that the plan might involve the country borrowing dollars, rather than gold, and using its gold reserves as collateral.

The fall in the gold bullion price yesterday was entirely due to the strength of the US dollar following the increase in interest rates by some major US banks on Friday, traders said.

Selling was mainly speculative but was enough to push the price through $385 an ounce, which chartists believe was a technical support point.

However, the price later recovered from the day's low to close at $384.75 an ounce, down $5.50 compared with Friday's close.

Mr Smith of Phillips & Drew said: "I think it will go to $380 before it bounces back. It will be nip and tuck whether the dollar or gold cracks first, but we think it will be the dollar."

Mr Tom Butler, gold bullion manager at Samuel Montagu, the securities group, suggested the gold price could hold on at $385 an ounce. "I would expect it to see some support at this level. But it all depends on the dollar – wherever the dollar goes, so gold will go."

He said there was a complete lack of interest in gold among western investors but "the Far East is still buying gold hand over fist and demand from the jewellery industry is tremendous."

Other analysts suggest the bear market in gold has some way to go before this year is over. The latest precious metals monitor from Kleinwort Benson Securities-Sharps Pixley says, for example, that any fall below $394 an ounce would take the price to $350 and possibly to the $325 technical support level.

Scotland expects big export rise for salmon

By James Buxton, Scottish Correspondent

EXPORTS OF Scottish salmon, which netted £46m last year, are expected to increase sharply in 1989 as production rises and markets expand.

Output from Scottish salmon farms totalled about 18,000 tonnes in 1988, but this year they are expected to reach 30,000 tonnes.

The Scottish Salmon Board, which promotes salmon on behalf of farmers in Scotland and the Shetland Islands, says this year's output could have a retail value of about £200m.

The board, financed by fish farming companies and the Highlands and Islands Development Board, is doubling its promotional expenditure from £1.2m last year to £2.4m this year, with £1.5m earmarked for the UK and £600,000 for France.

The Scottish salmon farming industry, which barely existed before 1980, has expanded rapidly in the past few years. Output of farmed fish compares with a catch of Scottish wild salmon of less than 1,000 tonnes in 1987.

The Scottish Salmon Board considers France to be its most promising export market, with considerable interest in the Scottish product and high salmon consumption per head.

With the annual conference and exhibition of the Scottish fish farming industry beginning in Edinburgh today, Scottish salmon producers are afraid that continued attacks on their activities by environmental groups could check the industry's expansion.

Mr William Crowe, the Scottish Salmon Board's chief executive, said that "environmental anarchists" had too much say in seeking to influence the livelihoods of the 2,500 people directly employed in salmon farming in Scotland and the 5,000 indirectly employed. Salmon growers already faced a considerable array of controls of their activities, he said.

New Zealand forest sell-off begins

By Chris Sherwell in Sydney

THE NEW ZEALAND Government yesterday embarked on its multi-billion dollar sale of 540,000 hectares of forest and two sawmills as part of its overall privatisation and revenue-generating programme.

In a pitch to prospective buyers at an international pulp and paper conference in Sydney, the New Zealand Forestry Corporation, which manages the assets, described the decision to sell as "a unique opportunity for new investment in the global forestry industry."

The forests represent nearly 50 per cent of total New Zealand plantations. By the turn of the century their output should be equivalent to 50 per cent of projected Australian production and 40 per cent of Chilean production.

New Zealand's forests, in turn, are expected by then to support one or two kraft pulp mills, two or three paper mills, two medium density fibreboard plants and 15 sawmills, making the country potentially one of the world's major suppliers of bleached softwood kraft pulp and newsprint.

The plantations for sale are made up almost entirely of radiata pine. Ownership of the land under the trees will remain with the Government, but it will be leased to the successful buyers for about 60 years, or two crop rotations. On termination, a market price would be paid for all improvements.

In the case of indigenous forest, which forms a small fraction of the total, the sale will take the form of cutting rights for a defined volume of wood for 20 to 50 years. The two sawmills will be sold as going concerns.

As agent for the sale, the Forestry Corporation will call for competitive tenders from potential bidders under a timetable still to be finalised. Detailed information on the forests is expected by mid-year, and bids are likely to be called six months later.

Although the corporation will not estimate how much the sale will realise, it says it expects more than NZ$1bn (£350m) but less than NZ$10bn. It also hopes New Zealand's anti-trust authorities will allow bids from the three big local forest products companies – Fletcher Challenge, Elders Resources NZFP and Carter Holt Harvey – and says interest is coming from groups all over the world.

The land itself is not being sold because some of the forests are in areas which are the subject of Maori claims before the Waitangi Tribunal.

Ill-wind blows Nicaragua some good

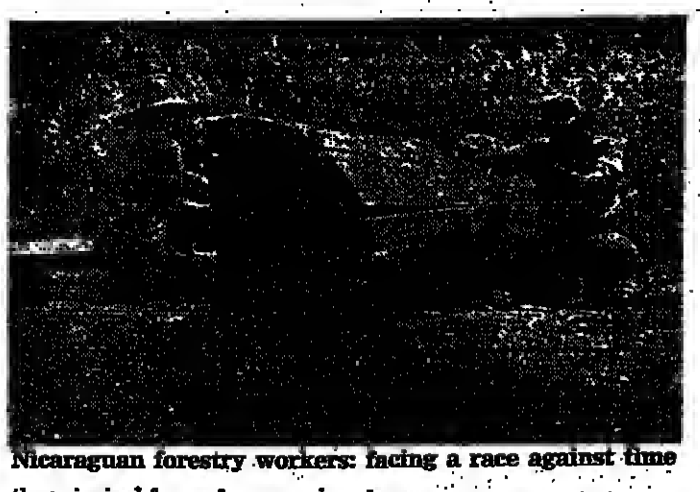
Tim Coone on a windfall timber gain for a war-torn economy

EVEN HURRICANE clouds can have silver linings, it would seem. Hurricane Joan, which last October caused about US$800m of damage to Nicaragua's already war-battered economy, may have also provided an unexpected windfall in the form of toppled timber which could provide a short-term solution to many of the country's dire economic problems.

The timber, which includes valuable hardwoods such as mahogany and teak, comes from about 500,000 hectares of tropical forest on Nicaragua's Atlantic Coast that were flattened as the hurricane cut a swathe 100 miles long by 35 miles wide through some of the country's richest timber resources. Another 500,000 hectares were badly damaged. From the air it looks as if a giant hand took a swipe at the forest, denuding it of its foliage and leaving the trees scattered like matchsticks.

According to Mr Miguel Reyes, a director at the forestry department of Direna, the Government's natural resources institute, about 10 per cent of Nicaragua's tropical rain forest was destroyed by the storm. He said preliminary estimates, based on 20-year-old forest surveys, put the amount of fallen timber with commercial value at about 9m cubic metres. Nicaragua's extraction capacity is only about 200,000 cu m per year, so feverish efforts are being made to attract foreign companies to collect the timber before it decays or is destroyed by dry-season fires.

It is a race against time, compounded by poor infrastructure and the Government's acknowledged lack of resources and detailed information on the whereabouts of the best timber. About 300,000 hectares of the affected area was virgin forest, with few penetration roads. Water-transport along the region's rivers and inter-connecting lagoons is the principal form of communication.



Nicaraguan forestry workers: facing a race against time

Mr Reyes said that many of the dead trees could go as long as three years before being affected by decay. Others might not survive six months. As with all natural forest, the valuable trees are heavily interspersed with less valuable ones. The total biomass of the destroyed forest is about 65m cu m. "There might also be interest, though, in the less valuable species for chipboard and pulp manufacture," he said.

The Government has undertaken a detailed study on 100 hectares of fallen forest near the experimental station of El Recreo, where much of the teak is to be found. "This will serve as an indication of what is available elsewhere which, together with aerial photography and samples we are taking from other sections of the forest, should give an idea of the value of the timber to potential investors," said Mr Reyes.

Pressure to act is being made even more acute by the short dry season on the Atlantic coast which lasts from February to May. It is the best time to put heavy machinery in. Outside of this period it becomes difficult and there is a danger of serious ecological damage.

Mr Juan Jose Montiel, the president of Anaba, Nicaragua's association for biologists and ecologists, insists that strict control should be taken of any foreign companies that come to extract the timber and that they should be involved in reforestation projects as part of their contracts. "We are being emphatic with the Government that strict controls should be maintained and that areas should be protected and allowed to regenerate naturally to protect the genetic resources of the forest," he said.

As head of the experimental sector of the forestry department, Mr Reyes is well aware of the dangers. Various zones of the destroyed and damaged forest have already been earmarked for priority extraction, in the regions surrounding the towns of Bluefields, Rama and Nueva Guinea, a total of about 440,000 hectares.

He said the areas close to the coast with river access, such as Bluefields and Rama, would most likely be granted to foreign companies due to the ease of shipping out the timber by sea. Local timber companies meanwhile would most likely be given priority in the areas further inland such as Nueva Guinea, where there is easier access by road. Other areas would be left to regenerate naturally, he said.

Estimates of the value of the fallen timber range from $700m for extraction as logs, to well over $2bn if the manufacture of sawn wood, plywood and railway sleepers is taken into account. In addition there is the possibility of woodpulp, chipboard and charcoal manufacture. Mr Reyes says the estimates "err on the conservative side."

Such export earnings over the next two to three years would potentially triple or quadruple depressed earnings from Nicaragua's traditional exports of coffee and cotton and could provide a unexpected bonanza to enable the economy to struggle to its feet.

Such considerations, with their political implications, might create a highly favourable climate for deals with foreign companies. Since 1979 Nicaragua's attraction to foreign investors has been soured by political uncertainty, war and the Government's own ideological resistance to the prospect of multinationals making windfall profits from the nation's resources.

The Government faces an election in 1990, with an electorate that has been wearied by eight years of war and growing poverty. The reasoning is that if the alternative is to let the wood rot, why should ideology stand in the way of inviting in foreign firms?

Spanish, Finnish and Argentine companies are already involved in negotiations and it is expected other countries will become involved. No deals have been signed due to lack of detailed information on the location of the timber and the problems of estimating extraction costs. Mr Reyes says that once the 100-hectare survey is complete, however, and more complete aerial surveying carried out, the Government will be in a better to position to negotiate.

Malaysia worried by latex glut

By Wong Sulong in Kuala Lumpur

MALAYSIA has warned of a dangerous oversupply of rubber latex conceotrate, following a rapid build-up of production capacity by Southeast Asian rubber producers to take advantage of the high premiums being paid.

Dr Lim Keng Yaik, Malaysia's Mioister of Primary Industries, said yesterday that for the curreot year the three major natural rubber producers – Malaysia, Thailand and Indonesia – were expected to have a production capacity of 970,000 tonnes of dry rubber latex concentrate, while world demand was only about 500,000 tonnes.

Last year the AIDS scare prompted a scramble for latex concentrate – required in the manufacture of surgical gloves and condoms – which led to soaring prices for the product. Last April concentrate was fetching as much as 10 ringgit (£2.10) a kilogram, 6 ringgit more than top grade rubber sheets. The normal premium is only around one ringgit.

Those high prices led to rubber growers installing facilities for the productioo of latex concentrate and prices have since fallen sharply – to about 5 ringgit a kilogram, 2 ringgit above the sheet rubber price.

Dr Lim said Malaysian authorities were now imposing strict control over the production of latex concentrate, and any new latex production facility must be approved by the Malaysian Rubber Exchange and Licensing Board.

He said there was an urgent need to balance the supply and demand of latex to prevent prices from collapsing. In recent weeks gross over-capacity has led to a large proportion of the 50 rubber glove factories in Malaysia closing down for lack of western customers.

Swiss agriculture shakes off stagnation

By John Wicks in Zurich

SWISS FARM income rose by 5 per cent last year to SFr 9.3bn (£3.35bo), ending a period of near-stagnation which had begun in 1985.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium high grade	+1,450	to 137,850
Copper Grade A	+7,325	to 86,775
Lead	−800	to 49,775
Nickel	−636	to 5,550
Zinc	+3,225	to 35,200
Tin	−015	to 3,650
Silver (oz).	+50,000	to 14,394,000

In what is described as a "good to very good year," production went up by 3.2 per cent and prices for agricultural produce by 4.6 per cent. At the same time, prices paid by farmers for supplies increased by a relatively modest 1.6 per cent.

Income from arable farming rose snbstantially, from SFr 1.98bn to SFr 2.22bn, the increase in real terms having been about 19 per cent. In spite of a slight decline in sales volumes, higher milk and meat prices lifted income from pastoral farming by 3 per cent to SFr 7.05bn.

However, a study by Credit Suisse points to a more difficult future for Swiss agriculture. The bank draws attention to the restrictive government policy on farm prices and also the likelihood of lower subsidies in the light of the Uruguay round on world trade and possible repercussions from the introduction of the EC single market in 1992.

St Lucia boosts banana sales

By Canute James in Kingston, Jamaica

ST LUCIA, the leading supplier of bananas to the US, increased its exports last year to 133,695 tonnes, 43,000 tonnes more than shipments in 1987.

Representatfves of the island's banana industry said the performance would have been still better if farms had not been troubled by high winds in September.

The industry's earnings from exports last year reached US$68.5m, which was $22.4m more than 1987.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE CASH high grade zinc and three months nickel prices both reached fresh records on the London Metal Exchange yesterday. The zinc price came under pressure early on as the copper market weakened, but strong fundamentals were reasserted end cash high grade metal ended the day $15 up at $1,940 a tonne. Cash nickel gained $240 to $19,125 a tonne, well below the 22,200 record reached last March. But at that time, under driving from a severe squeeze on supplies available for immediate delivery, the cash quotation had been roaring ahead of the three months price. This time the forward position is keeping much closer order and has on occasion recently been at a slight premium. Last night it closed at $18,650 a tonne. Dealers attributed yesterday's advance to a fall in LME warehouse stocks last week.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.05-4.15z	+0.10
Brent Blend	$15.80-5.90z	+0.10
W.T.I. (1 pm est)	$17.34-7.39z	+0.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	-1
Gas Oil	$133-135	-1
Heavy Fuel Oil	$86-87	
Naphtha	$156-158	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$384.75	-5.50
Silver (per troy oz)♦	580c	-6
Platinum (per troy oz)	$521.25	-10.0
Palladium (per troy oz)	$140.25	-0.10
Aluminium (free market)	$2105	-70
Copper (US Producer)	141⅞-43⅛c	-⅛
Lead (US Producer)	36.5c	
Nickel (free market)	880c	+8
Tin (European free market)	£4470	+40
Tin (Kuala Lumpur market)	20.96r	+0.15
Tin (New York)	357.5c	+1.0
Zinc (US Prime Western)	65⅛c	+3½
Cattle (live weight)†	107.29p	-2.09*
Sheep (dead weight)†	135.19p	-0.25*
Pigs (live weight)†	79.72p	-0.78*
London daily sugar (raw)	$261.4x	-4.8
London daily sugar (white)	$289x	-2
Tate and Lyle export price	£259.5	-1
Barley (English feed)	£113.00	+0.25
Maize (US No. 3 yellow)	£131.5	-0.5
Wheat (US Dark Northern)	£124.5v	+0.5
Rubber (spot)♥	59.0p	+0.5
Rubber (Mar)♥	68.25p	-0.75
Rubber (Apr)♥	68.75p	-0.25
Rubber (KL RSS No 1 Mar)	308.5m	-1.0
Coconut oil (Philippines)§	$525x	-5
Palm Oil (Malaysian)§	$350x	-5
Copra (Philippines)§	$370	
Soyabeans (US)	$185x	
Cotton "A" index	82.45c	+0.40
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr/Jun. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♦ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	858	860	858 850
May	871	877	874 868
Jul	869	877	873 867
Sep	866	871	870 866
Dec	881	884	886 880
Mar	872	877	876 871
May	874	882	888 875

Turnover:5283 (6829) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Feb 10: 1137.12 (1136.47);10 day average for Feb 13: 1112.11 (1110.00).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1154	1165	1175 1150
May	1130	1125	1143 1125
Jly	1112	1125	1129 1108
Sep	1100	1116	1115 1100
Nov	1094	1110	1100 1089
Jan	1096	1105	1105 1105
Mar	1100	1110	1105

Turnover:2397 (2567) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Feb 10: Comp. daily 119.30 (122.98); 15 day average 121.26 (122.37).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	226.00	229.80	231.60 226.00
May	234.60	234.80	236.00 233.00
Aug	234.60	236.00	236.00 234.40
Oct	232.40	232.20	233.00 231.40
Dec	231.00	229.40	228.00
Mar	228.00	231.00	
May	227.00	230.00	
White	**Close**	**Previous**	**High/Low**
Mar	286.00	285.00	286.00 275.00
May	277.00	278.00	280.00 271.50
Aug	278.00	278.00	276.50 277.50

Turnover: Raw 1869 (5243) lots of 50 tonnes. White 2567 (2250). Paris- White (FFr per tonne): Mar 1600, May 1775, Aug 1781, Oct 1720, Dec 1700, Mar 1680

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2000	138	160	7	53
2100	83	104	33	95
2200	21	64	80	152
Copper (Grade A)	Calls		Puts	
1400	264	243	4	55
1550	121	139	39	176
1700	31	71	149	304

TEA

There were 15,910 packages on offer including 1,450 offshore, reports the Tea Brokers Association. There was fair but more selective demand. Prices for medium Assams remained fully firm but plainer kinds sold at easier rates. The few brightest Africans sold well at improved levels but all other descriptions proved irregular and generally lower. Ceylon offerings were well supported and tended dearer. The smaller selection of teas available offshore attracted fair demand with prices about steady on last levels. Quotations: quality 150p (135p), medium 104p (108p), low medium 85p (same).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,850 tonne
Cash	2115-20	2175-85	2110/2100	2100-1		
3 months	2110-5	2165-60	2135/2105	2105-10	2110-5	25,110 lots
Copper, Grade A (£ per tonne)						Ring turnover 30,500 tonne
Cash	1648-9	1740-5	1653/1648	1647-8		
3 months	1595-7	1673-4	1650/1585	1593-5	1596-7	64,642 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	573-6	581-4		573-4		
3 months	586-8	595-8		586-7		356 lots
Lead (£ per tonne)						Ring turnover 4,675 tonne
Cash	351-2	356-8	353/352	352-2.5		
3 months	357-7.5	362-3	361/352	358.5-9.5	359-60	9,453 lots
Nickel ($ per tonne(						Ring turnover 894 tonne
Cash	10100-50	18800-900	19150/19000	19100-200		
3 months	18600-700	18450-500	18750/18600	18650-700	18600-700	6,153 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,200 tonne
Cash	2015-20	2020-30	2015	2010-20		
3 months	1905-10	1910-20	1010/1870	1870-80	1910-20	4,477 lots
Zinc ($ per tonne)						Ring turnover 15,850 tonne
Cash	1935-45	1920-30	1895/1890	1890-5		
3 months	1835-40	1832-5	1845/1780	1795-800	1840-50	12,070 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	68.4	70.5	69.2 68.1
May	83.7	84.5	83.6 82.5
Nov	89.5	90.8	01.0 89.0
Feb	100.0	102.0	
Apr	127.9		130.0 127.0

Turnover 361 (42) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	156.00	157.00	157.00 156.00
Jun	151.00	150.50	151.00

Turnover 136 (316) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1520	1536	1530 1515
Mar	1568	1591	1576 1565
Apr	1607	1625	1624 1605
Jul	1436	1456	1455 1432
Oct	1570	1580	1570
Jan	1585	1590	1585
Apr	1650	1590	1625
BFI	1511	1523	

Turnover 365 (611)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	112.10	111.75	112.10 111.00
May	115.65	115.45	115.75 115.60
Jun	117.50	117.30	117.50
Sep	103.20	102.90	103.20
Nov	105.65	105.35	105.65
Jan	109.00	108.60	109.00 108.90
Mar	111.95	111.70	111.95
Barley	**Close**	**Previous**	**High/Low**
Mar	109.00	109.00	109.00
May	111.25	111.15	111.25
Sep	100.20	100.00	100.20
Nov	103.15	103.20	103.15 103.00

Turnover: Wheat 314 (315) , Barley 9 (34) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	384½-385	219¾-220¼
Opening	387-387½	221¼-221¾
Morning fix	388.7	220.732
Afternoon fix	384.5	219.865
Day's high	387-387½	
Day's low	382¾-383¼	

Coins	$ price	£ equivalent
Mapleleaf	395-400	225-228
Britannia	395-400	225-228
US Eagle	395-400	225-228
Angel	395-400	225-228
Krugerrand	384-387	219-221
New Sov.	00¼-91¼	51½-52¼
Old Sov.	90¼-91¼	51½-52¼
Noble Plat	531.85-540.78	303.9-309

Silver fix	p/fine oz	US cts equiv
Spot	330.80	579.00
3 months	341.20	592.65
6 months	351.90	607.55
12 months	372.25	639.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	15.44	15.38	15.43 15.23
May	15.23	15.21	
IPE Index	15.84	15.93	

Turnover: 1889 (2291)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	134.00	135.25	134.25 133.00
Apr	132.75	134.00	133.25 132.00
May	131.75	133.00	132.25 131.00
Jun	130.50	130.50	131.00 130.00
Jul	131.00	131.75	131.50 131.00

Turnover 3346 (4638) lots of 100 tonnes

US MARKETS

REPORTS OF A sharp increase in L.M.E. stocks led to technical selling in the Comex copper futures which, in turn, touched-off stop-loss selling, reports Drexel Burnham Lambert. However, after an active morning, the market settled into a quieter mode, dominated by local activity. The precious metalst ended to follow the fortunes of the US deltar in light trading volume, only platinum featured some early trade support, which held prices moderately steady. In the energy complex, values strengthened after failing to penetrate underlying support and in advance of O.P.E.C. meetings. Reports of e possible leak in e major US crude oil pipeline also underpinned prices. Cattle futures rallied on short-covering in follow-through buying from Friday, pork bellies and live hogs recovered with short-covering despite early weakness reflecting easier cash prices. The grains were quiet in the absence of major news and lack of export demand. Reports of rains both in South American and mid-west US growing areas also weighed on values. Coffee was held to a narrow range on the day in advance of first notice day on Friday. Cocoa saw some long-liquidation in the March contract ahead of first notice day today. Sugar was held within the recent trading range, although reports of e possible sale by India kept values under pressure.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	386.2	388.8	387.6	385.0
Mar	388.0	390.0	0	e
Apr	389.7	391.7	391.4	387.3
Jun	394.5	396.6	395.0	392.0
Aug	399.6	401.9	401.0	399.0
Oct	405.3	407.4	407.0	404.0
Dec	410.9	412.9	412.8	409.0
Feb	386.2	388.8	387.6	386.8
Apr	422.1	424.1	421.5	421.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	582.6	581.2	0	0
Mar	584.5	583.5	585.0	577.5
Apr	589.6	588.5	0	0
May	594.8	593.7	595.4	598.0
Jul	605.7	604.5	605.5	598.0
Sep	616.1	614.8	613.5	610.0
Dec	631.5	630.0	631.0	626.0
Jan	636.0	634.5	0	0
Mar	646.7	645.2	643.0	643.0
May	657.1	655.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 10	Feb 0	mnth ago	yr ago
1951.2	1956.4	1966.9	1756.2

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	134.94	135.83	140.28	130.59
Futures	137.87	139.04	143.57	134.48

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	525.6	525.0	0	0
Apr	525.8	526.0	527.0	520.5
Jul	524.8	524.0	526.5	519.5
Oct	525.2	523.5	526.0	521.0
Jan	526.2	524.5	523.0	523.0
Apr	529.2	527.5	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	128.25	133.70	128.60	128.20
Mar	126.00	130.70	127.50	125.60
Apr	122.00	126.10	e	0
May	119.00	123.10	120.20	118.30
Jul	114.50	117.10	115.30	114.00
Sep	111.60	113.60	112.50	111.50
Dec	108.60	110.10	110.00	107.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.46	17.11	17.47	17.08
Apr	16.87	16.57	16.89	10.60
May	16.56	16.33	16.55	16.30
Jun	16.33	16.10	16.33	16.10
Aug	15.93	15.82	15.94	15.82
Sep	15.86	15.72	15.86	15.72
Oct	15.70	15.65	15.78	15.66
Nov	15.70	15.61	15.70	15.76

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	4785	4736	4790	4690
Apr	4630	4554	4630	4535
May	4480	4419	4480	4405
Jun	4395	4329	4395	4320
Aug	4368	4336	4390	4340
Sep	4450	4401	4450	4450
Oct	4520	4466	4520	4450

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1507	1524	1540	1500
May	1469	1483	1499	1463
Jul	1453	1442	1468	1442
Sep	1428	1418	1431	1422
Dec	1407	1400	1410	1397
Mar	1395	1385	1395	1392

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	132.50	133.01	133.50	131.70
May	129.30	129.20	129.70	128.71
Jul	125.89	125.50	126.50	125.50
Sep	123.48	123.78	124.00	123.10
Dec	121.38	121.37	121.86	121.25
Mar	122.00	120.67	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.28	10.34	10.46	10.21
May	10.46	10.46	10.61	10.39
Jul	10.46	10.45	10.59	10.38
Oct	10.35	10.30	10.48	10.28
Jan	9.75	9.68	0	0
Mar	10.18	10.14	10.22	10.11
May	10.17	10.12	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	57.98	58.36	58.54	57.70
May	58.60	58.85	59.11	58.40
Jul	58.60	58.73	59.00	58.45
Dec	58.20	58.42	58.60	58.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	136.30	135.75	137.00	134.90
May	135.40	134.80	135.60	134.10
Jul	135.40	134.70	135.50	134.00
Sep	135.25	134.75	135.50	133.90
Nov	132.15	132.05	0	0
Jan	130.40	129.70	130.05	129.50
Mar	129.75	129.25	129.75	129.75

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	724/0	735/0	732/4	722/0
May	734/4	740/2	744/0	733/0
Jul	741/0	753/0	751/0	740/0
Aug	737/0	749/0	746/0	734/0
Sep	719/0	727/0	728/0	715/4
Nov	705/0	712/2	712/4	704/0
Jan	711/0	718/0	720/0	711/0
Mar	717/0	724/0	725/4	717/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.57	21.69	21.70	21.43
May	22.10	22.20	22.19	21.95
Jul	22.61	22.70	22.67	22.50
Aug	22.80	22.90	22.85	22.76
Sep	23.10	23.10	23.10	22.95
Oct	23.32	23.30	23.30	23.35
Dec	23.55	23.61	23.55	23.40
Jan	23.67	23.75	23.65	23.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	230.7	234.5	233.8	230.4
May	228.9	232.7	232.0	226.5
Jul	225.9	230.0	229.0	225.2
Aug	222.2	226.2	226.0	222.0
Sep	217.2	222.5	222.0	217.0
Oct	211.5	217.5	210.0	211.5
Dec	211.2	216.7	216.0	211.0
Jan	211.0	216.7	214.5	211.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	265/2	266/0	265/4	263/2
May	272/2	272/4	272/2	270/0
Jul	276/0	276/2	276/2	274/0
Sep	269/4	270/0	269/6	268/0
Dec	269/2	270/4	269/4	267/4
Mar	276/0	277/0	276/0	274/2
May	278/2	279/2	278/2	277/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	425/2	428/6	427/0	424/6
May	425/4	429/4	428/0	425/4
Jul	407/6	410/2	409/2	407/0
Sep	413/4	415/4	414/4	413/2
Dec	424/2	427/0	425/0	423/4
Mar	427/4	430/0	428/0	427/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.60	74.22	74.77	74.20
Apr	75.57	75.05	75.85	75.05
Jun	74.42	74.15	74.70	74.12
Aug	72.20	72.20	72.52	72.17
Sep	71.75	71.50	71.75	0
Oct	71.52	71.62	71.80	71.50
Dec	72.60	72.75	72.75	72.40
Feb	72.60	72.40	72.60	72.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	41.42	41.60	41.95	41.25
Apr	41.77	41.77	41.97	41.37
Jun	46.72	46.60	46.80	46.32
Jul	46.82	46.70	46.85	46.45
Aug	45.70	45.75	45.90	45.65
Oct	43.02	43.15	43.25	43.00
Dec	44.92	45.00	45.30	44.80
Feb	45.50	45.85	45.60	45.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	38.05	38.00	38.40	36.95
Mar	37.67	37.85	38.30	36.82
May	38.67	38.70	38.95	37.75
Jul	39.22	39.32	39.55	38.70
Aug	38.17	38.27	38.50	37.90
Feb	52.97	53.40	53.00	52.25
Mar	51.20	50.70	51.20	0

LONDON STOCK EXCHANGE

Share prices slide in nervous trade

Account Dealing Dates		
*First Dealings:		
Jan 30	Feb 13	Feb 27
Option Declarations:		
Feb 9	Feb 23	Mar 9
Last Dealings:		
Feb 10	Feb 24	Mar 10
Account Day:		
Feb 20	Mar 6	Mar 20
*New time dealings may take place from 9.00 am two business days earlier		

A NERVOUS London equity market, upset by indications of inflationary pressure at home and by higher interest rates abroad, proved in no mood to face the introduction of new dealing rules yesterday and retreated across a wide front. Market makers were no longer obliged to deal with one another at their Seaq screen quotations, and traders and analysts struggled yesterday to assess the effects of the new rules on trading volumes.

Market turnover, as recorded by the running total of Seaq trading, was well below recent levels; but since this figure does not separate inter-market maker from retail customer business, it will not be until today that any shift in inter-market volume will be identifiable.

From the broader viewpoint, the equity market faced a confusing batch of statistics. The official UK retail sales data for January, curtain-raised by an FT/CBI survey of distributive trades, was favourable for domestic interest rate hopes, showing a 1.5 per cent fall last month. However, this new indication of receding consumer spending pressure was countered by an unexpected gain of 1.0 per cent in UK producer output prices in January.

The two sets of data suggest that "demand is indeed slowing down, but inflation remains a problem for the UK authorities", commented John Reynolds of Prudential-Bache. The equity market, which was already down by more than 30 FT-SE points when the official numbers were released, tried – but failed – to rally.

For the rest of the day, equities remained sluggish, and only in the last hour did they manage a technical recovery. The FT-SE Index closed 23.4 down at 2032.7, having touched 2020.9 at the day's low.

With nervousness over domestic inflation touched off at the weekend by Mr Nigel Lawson, the UK Chancellor, who warned that the January figures could show a year-on-year rise exceeding 7 per cent, the market was on the slide from the opening. Only modest institutional selling was reported, but losses were widespread.

The 5.00pm Seaq volume total of 474.5m shares was substantially below figures recorded in the latest bull phase, which has seen daily Seaq volume above 900m shares. Some traders were adamant that "the new (inter-dealer) rules almost killed business today. They were all sitting on their hands". Others, however, were not so sure. One experienced market man said: "There was some inter-dealer business if not very much. If we wanted to deal, we did".

One reason for holding back yesterday was that the second leg of the new trading rules, to be introduced very shortly, will allow traders to postpone reporting price details of large-sized deals until the following day.

FINANCIAL TIMES STOCK INDICES

	Feb. 13	Feb. 10	Feb. 9	Feb. 8	Feb. 7	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.98	89.10	89.25	89.29	88.88	88.31	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.58	97.37	97.28	97.16	97.06	95.19	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1656.1	1680.9	1702.9	1714.7	1694.9	1389.1	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	165.4	167.1	166.9	168.2	165.8	261.9	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.38	4.34	4.28	4.25	4.31	4.46				
Earning Yld %(full)	10.99	10.85	10.72	10.65	10.80	11.30				
P/E Ratio(Net)(☆)	11.04	11.18	11.32	11.39	11.23	10.81				
SEAQ Bargains(5pm)	30,233	40,611	40,492	43,973	33,153	21,129				
Equity Turnover(£m)†	-	1503.74	1505.61	1500.88	1250.67	765.87				
Equity Bargains†	-	45,680	46,646	47,462	38,322	24,426				
Shares Traded (ml)†	-	657.9	714.0	688.5	518.7	289.3				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1659.4	1657.0	1647.1	1648.8	1646.7	1647.6	1650.9	1653.7

DAY'S HIGH 1661.6 DAY'S LOW 1646.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.97 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Feb.10	Feb.9
Gilt Edged Bargains	104.9	114.6
Equity Bargains	296.0	302.2
Equity Value	3094.0	3043.2
5-Day average		
Gilt Edged Bargains	103.0	106.5
Equity Bargains	291.0	285.2
Equity Value	2764.6	2721.8

● London Report and latest Share Index: Tel. 0898 123001

Selling pressure on RTZ

One of the few stocks to suffer genuine selling pressure was RTZ, down sharply on turnover of 2.4m shares. Rumours that a rights issue is on the cards have resurfaced among traders, but not among the sector analysts who continued to doubt such suggestions.

Hints of fund-raising plans hinge on the £4.5bn cost of RTZ's purchase of BP's mining interests, and have been revived by the recent rebound in the equity market which has inspired much talk of rights issues. However, Mr Jack Jones, RTZ watcher at Phillips & Drew, commented that the BP deal will not be finally consummated until April 1, and questioned whether the mining group would try to impose a rights funding on shareholders until it could spell out more clearly its plans for the newly-acquired assets.

"RTZ has shown itself increasingly more sensitive in dealing with shareholders", he added. The shares closed 16 down at 503p.

No Dalgety fuss

Foods and commodities group Dalgety ruffled few feathers with a set of interim figures very much in line with market expectations. Profits were up 9 per cent at £51.7m, and with earnings growth already in the price the shares fell 4¼ to 361½p in light trading. Speculation that a stake had been built up by either Irish or Australian interests failed as the company revealed nothing unusual in its share register in the wake of the Rule 212 notices issued last week.

Although the recent brouhaha about hygiene in food production has had little effect on Dalgety's earnings so far – eggs account for less than 3 per cent of profits – the response from analysts to the figures was distinctly lukewarm. "As usual with Dalgety, it was a bit of a mixed bag, with foods okay, agribusiness in UK and Europe something of a dead loss and soft commodities a rather bleak market," said Mr William de Winton of Hoare Govett. He is sticking with his year-end forecast of £110m, and rates the stock a weak hold.

Textiles struggle

A leading researcher's view that the Textile majors are close to the top of recent trading ranges and that a period of short-term price weakness is to be expected pulled down shares of Courtaulds and several others yesterday. Mr Donald Anderson of Hoare Govett is bearish of sector prospects as a whole, maintaining that "more reassuring news in the form of better sales trends and weakening sterling is unlikely before the autumn".

According to Mr Anderson, Courtaulds will struggle to make up the gap in earnings left by the sale of the South African pulp operations, the indifferent UK textile trade, the patchy recovery in acrylics and a more competitive world market for packaging films. Subsequently, last week he reduced his 1989/90 forecast of group profits by £15m to £200m. Courtaulds shares fell for the third consecutive session to close 4 down at 293½p.

The Hoare analyst gave Dawson International similar treatment, downgrading next year's profit estimate around £2.5m to £53.8m. He anticipates that the autumn cashmere season will see a further fall in sales volumes in reaction to the recent heavy increase in prices.

The international stocks suffered in the general shakeout, although losses were not large, and made little inroad on the gains of the past month. ICI, down 13 at 1184p, Beecham, 5 off at 563p and Glaxo, 6 lower at 1264p, all gave ground.

A few issues tried to resist the trend. Wellcome triumphed, closing 5 higher at 484p as last week's worries over possible competitors to Retrovir, the group's anti-Aids drug, slackened. Unilever, still sustained by the favourable market reception for its $1.5bn purchase of Faberge, held steady at first but was finally unsettled by hints that it is considering bidding for part of the RJR Nabisco operation.

Banks showed no inclination to buck the market trend, despite mildly bullish hopes for the coming results' season. NatWest, which reports first next week, fell 9 to 601p alongside similar declines in Barclays, down 8 at 466p, and Midland, 9 easier at 456p. TSB went ex-dividend and closed 2¼ off at 124¼p; the group also announced it was expanding its private client stockbroking business by acquiring Earnshaw Haes & Sons from Bearbull for an "undisclosed sum".

A story that Italy's Banco San Paolo di Torino was ready to take a friendly stake in Guardian Royal Exchange (GRE) helped steady the UK group, just 3 easier at 210p. Although one dealer said that the Italian story was unlikely, he did not rule out some form of foreign link-up soon. He also noted that there has been Japanese demand for GRE of late.

The possibility of interest rates remaining at current levels for longer than expected exerted pressure on Buildings. Blue Circle fell 8 to 476p and Redland lost 7 to 486p while Alfred McAlpine, expected to report annual results later this month, dipped 20 to 342p. Newspaper doubts on the much-mooted consortium bid took George Wimpey down 4 to 303p, but Marley rose 6 to 187p when bid speculation resurfaced.

Stores were unsettled by the fall in January retail sales, although a handful of stocks managed to return minor gains, of which Coats Viyella were the most notable, advancing 5 to 163p with dealers reporting some genuine buying after recent underperformance. Bid speculation kept Scottish fashion retailers Goldberg on the move, the shares climbing 8 to 199p after Charterhall (down ½ at 31¼p) increased its stake last week to nearly 30 per cent. A bear squeeze helped women's fashion group Etam go 5 better to 171p.

Several leading issues held surprisingly steady, including Next, just a penny weaker at 155p, Ward White, 2 easier at 247p, and Sears, 3 down at 127p on turnover of nearly 4m shares and boosted by talk that the Al Fayed brothers were looking to sell their 10.3 per cent stake. GUS "A" dropped 35 to 1103p after paying out a net-10p dividend, while Storehouse were a poor market at 181p, down 8.

Electricals held up well with Amstrad slightly firmer at 181p awaiting today's interim results. Alphameric jumped 15 to 117p when buyers had the field to themselves after fresh sellers failed to materialise, in spite of last week's profits downgrading.

Plessey edged up ¼ to 243½p as investors held on for today's court ruling on the dispute with GEC (down 4 with the market to 224p) over the jointly-owned GPT telecommunications manufacturing subsidiary.

Continuing optimism on Ferranti's efforts to win a radar contract later this month for the European Fighter Aircraft lifted shares 1¼ to 105¼p. Elsewhere, MBS popped up 6 to 50p on revived interest, possibly in belated response to Scottish Amicable's "rap of the year" award last month, said one marketmaker.

Most of the leading Foods staged a late rally to close weaker, but off the days lows. Manufacturers were unsettled by the continuing Listeria-in-food scare, with Hillsdown and Unigate closing 9 easier at 271p and 348p respectively, and Northern Foods 9¼ lower at 301¼p. However, retailers remained relatively undisturbed by the crisis.

The best performance of the day came from Acatos & Hutcheson, which followed up last week's good form to close 5 firmer at 234p, with good demand reported ahead of Thursday's agm. There was also whispers of a possible bid for the company. Both Unilever and United Biscuits (down 5¼ at 323½p) were mentioned as potential predators.

Among others to defy the wider trend was Booker, up a penny at 433p after completing an acquisition and disposal in France, and Bassett Foods, which closed steady at 569p as Cadbury Schweppes (6 easier at 358p) posted details of its offer for the sweets manufacturer.

Leisure stocks saw two notable movements. Pools group Zetters climbed 15 to 185p on the back of Ladbroke's bid for Thompson T-Line (TTL), which has it's own profitable pools operation in the shape of Vernons. Ladbroke ended 6 lighter at 524p, and TTL up ½ at 38p. Marina Developments gained 33 to 524p after revealing the presence of a possible white knight in its bid battle with property group Local London; Brent Walker was widely mentioned as the potential saviour.

Among weaker brewers Scottish & Newcastle stood out with a 3¼ gain to 410p with sentiment buoyed by reports that the Monopolies and Mergers Commission will give the go ahead to the GEC/Siemens bid for Plessey.

Eurotunnel shares gave way on weekend press reports that the contractors may tighten safety rules following recent accidents and this could slow tunnelling progress. The units dropped back 35 to 733p. Pilkington was also weak, losing 7¼ to 242½p on talk of a profits downgrading. Cazenove, the securities house mentioned, refused to comment when asked yesterday.

Rank Organisation lost appeal owing to a bout of profit-taking, which lowered the shares 21 to 915p, and Granada ran into selling of a similar nature and closed 11 easier at 359p. Stories that a City analyst had lowered his profits sights for Johnson Matthey sliced 6 off the price at 345p.

Newspaper mention sustained several smaller stocks including BLP, 124p, Cannon Street, 282p, and Alan Cooper, 215p; the last-named is scheduled to report annual figures on February 27. Speculative interest fired SAC International, up 16 at 133p, and Lawtex, 5 better at 71p, while DSC jumped 9 to 66p.

Chamberlain & Phipps stayed at 199p, although one-for-one share offerer Evode eased to 188p indicating hopes that a white knight would emerge. Bridgend responded to bid speculation, rising 7 to 55p in the wake of Dominion Securities' announcement last Friday that it no longer had a notifiable interest in the company. Bridport-Gundy also went higher, gaining 5 to 203p after news of the increased Charterhall stake of 28.34 per cent.

Tootal refused to concede ground awaiting developments regarding the stake held by the interests of Australian Mr Abraham Goldberg, revealed yesterday as 19.53 per cent.

Overseas Traders tipped over when demand was overtaken by profit-taking. Last week's star turn Polly Peck came back 9 to 342p.

The energy sector followed the market trend, but several of the leaders attracted above average share turnover. BP, with the new stock at 167¼p on 4.9m share activity, and the old at 272½p on 1.3m, continued to look nervous ahead of the year's results, due on Thursday. County NatWest forecasts a rise in the final dividend to 9p a share, but some other firms are cautious about the fourth quarter outcome which could, "include any gremlins overlooked earlier," as one analyst put it.

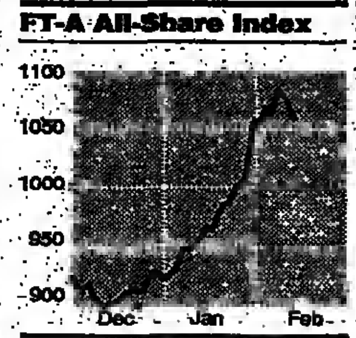
Ultramar fell 10 to 292p as the market warmed to the view that the Canadian stakes have been sold. "But to whom? Its a question of hunt the stock," said one analyst. Major names, including Exxon and Mobil, have been quoted but none with confidence. Alternatively, some sources suggest that the Canadian stakes have been placed with institutions. No UK institution, however, admits to participation.

The rest of the sector lacked highlights. British Gas, at 176p, eased in thinnish trade. Among the speculative stocks, Burmah slipped 12 to 524p.

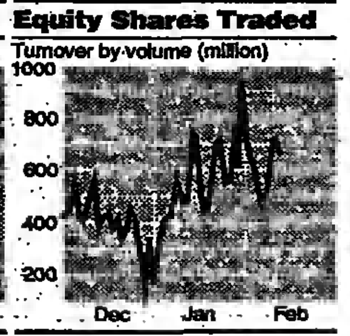
Activity in traded options took its main inspiration from FT-SE 100 index turnover, which reached almost a third of the total 41,560. British Gas was the most active individual stock, on 2,223 contracts. Index business came to 8,159 call contracts and 4,973 put.

■ Other market statistics, including FT-Actuaries Share index and London Traded Options, Page 26

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (67). [illegible]

NEW LOWS (14). [illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,880	145	-2	Commercial Union	985	383	-8	Land Securities	1,600	571	-10	Rothmans	199	501	-9
Allied-Lyons	1,787	472	-9	Cons. Gold Fields	233	1466	-13	Laporte	391	419	-2	Royal Bk. Scotland	243	397	-9
Amstrad	1,620	181	+1	Cookson	619	306	-7½	Legal & General	614	319	-9	Royal Insurance	851	424	-8
Argyll Group	2,000	185½	-2½	Courtaulds	1,300	293½	-4	Lloyds Bank	731	367	-5	STC	1,700	323	+3½
Ass. Brit. Foods	465	351	-3	Dalgety	1,700	360½	-4½	LASMO	480	483	-3	Saatchi & Saatchi	793	396	-7
BAA	2,400	304	-6	Dixons	6,100	158	-6	Lonrho	1,400	349	-5	Sainsbury	1,400	[illegible]	-2½
BAT	2,800	542	-5	Eng. China Clays	451	496	-11	Lucas	374	633	-3	Scott & Newcastle	836	410	+3¼
BET	1,300	261	-6	Enterprise Oil	56	527	-1	MB Group	716	281	-3	Sears	3,800	127	-3
BICC	541	450½	-9½	FKI Babcock	3,306	144	-4	MEPC	371	559	-7	Shell Transport	2,000	364½	-1½
BOC	776	492	-2	Fisons	2,200	273½	-4½	Marks & Spencer	2,500	167	-5	Siebe	164	465	-7½
BPB Inds	1,200	248½	-3½	Gateway Corp.	2,485	173¼	-3½	Maxwell Comm.	2,200	221	-4	Slough Ests	214	334	-7
BTR	3,900	341½	-1½	General Accident	120	978	-11	Midland Bank	623	456	-9	Smith & Nephew	2,505	130¼	-3½
Barclays	938	466	-8	General Elec.	2,700	224	-4	Nat. West. Bank	1,000	601	-9	Standard Chartd.	1,675	558	-6
Bass	418	914	-9	Glaxo	2,500	1264	-6	Next	3,400	155	-1	Storehouse	3,300	181	-8
Beazer	1,100	210	-1	Globe Inv	192	163½	-3	Northern Foods	872	301¼	-9¼	Sun Alliance	358	1111	-19
Beecham	1,700	562½	-5½	Glynwed Int.	776	331	-2	Pearson	318	699	-1	T&N	1,794	206½	-2½
Blue Arrow	14,000	93½		Granada	2,100	359	-11	Pearl	1,900	428	-3	TSB	3,200	124¼	-2¼
Blue Circle	940	476	-8	Grand Met.	2,575	522	-6	P & O	1,300	654	-8	Tarmac	2,100	276	-5
Boots	1,500	259	-4	GUS A	299	1103	-35	Pilkington	4,351	242½	-7¼	Tate & Lyle	1,000	235	-8
British Airways	2,600	199	-1	GRE	913	210	-3	Plessey	1,300	243½	+¼	Tesco	1,200	153½	-½
Brit. Aerospace	1,200	518½	-1½	GKN	1,500	351	-3	Polly Peck	1,000	342	-9	Thorn EMI	447	697	-13
Brit & Comm.	650	231	-5	Guinness	635	381	-1	Prudential	1,200	169	-2	Trafalgar House	1,700	338½	-3½
British Gas	2,801	177½	-1½	Hammerson 'A'	549	793	-10	Racal	2,700	332	-7	Trusthouse Forte	3,000	279	-5½
British Land	468	351	-10	Hanson	9,859	121¼	-1¼	Rank Org.	975	915	-21	Ultramar	1,600	292	-10
BP	1,500	272½	-1	Harrisons & Cros.	225	723	-8	RMC	683	607	-5	Unilever	4,008	551	-2
British Steel	15,000	76¼	-1½	Hawker Siddeley	374	627	-2	RHM	575	356	-8	United Biscuits	1,201	323½	-5¼
British Telecom	1,400	276½		Hillsdown Hldgs.	1,200	271	-9	Reckitt & Colman	138	1056	-10	Utd. Newspapers	449	437	-3
Burmah Oil	462	524	-12	IMI	1,700	212½	+½	Redland	1,100	486	-7	Wellcome	433	484	+5
Burton	1,100	205	-6	Imp. Chem.	1,700	1184	-13	Reed International	1,100	440	-2	Whitbread 'A'	135	327	-5
Cable & Wireless	1,200	427	-1	Inchcape	327	245½	-6½	Reuters 'B'	413	589		Williams Hldgs.	325	273	-5
Cadbury Schweppes	1,383	358	-6	Jaguar	449	316½	-3	RTZ	2,900	505	-16	Wimpey	4,700	303	-4
Coats Viyella	2,200	163	+5	Ladbroke	862	524	-6	Rolls Royce	3,350	156½	-1	Woolworth Hldgs.	666	272	-10

APPOINTMENTS

Morgan Stanley post

■ Mr John Holmes has been appointed a managing director and head of UK and European equity sales in London at MORGAN STANLEY. He was managing director of Morgan Grenfell Securities.

■ INGERSOLL PUBLICATIONS has appointed Mr Phil Harris as chairman and chief executive of New Enterprise Publications. He was chief executive of the Birmingham Daily News.

■ Mr Simon Wall has been appointed a director of G.W. JOYNSON & CO. He was with James Capel. Mr Peter White, company secretary, also joins the board.

■ Mr John Berriman, sales and marketing director, and Dr John Birch, development director, have been appointed executive directors on the board of CELLTECH GROUP.

■ Mr Robert Gasparini has been appointed managing director, consumer products Europe, for CROWN BERGER EUROPE, paints division of Williams Holdings.

■ PASSMORE INTERNATIONAL has appointed Mr Tony Herridge, group production director, as group commercial director. Mr Malcolm Lloyd has been promoted to the subsidiary board of Alabaster Passmore & Sons as technical director. Mr Steve Green has been promoted to the subsidiary board of Ambassador Press as litho director.

■ Mr Richard D. Quinn has been appointed to the board of JEFFERSON SMURFIT CORPORATION, US subsidiary of the Jefferson Smurfit Group. He is vice president and general manager of the containerboard mill division.

■ Mr Ian Menzies has been appointed a non-executive director of HARMON CONTRACT UK, Milton Keynes.

■ Mr Roger Wild has been appointed managing director of LIVINGSTON HIRE. He joins from Initial Automatic Services, where he was chief executive.

■ Mr Bill Bainbridge has been appointed managing director of LASER MONITORING SYSTEMS, Hull. He was managing director of Welwyn Electronic Components.

■ Mr A.R.G. Gunn, general manager, has been appointed a director of HAMBRO GUARDIAN ASSURANCE.

■ Mr Michael C. Clarke has been appointed managing director of DAVY MINING, Rotherham, a company formed by combining the former Davy ATC mining activities (part of Monk & Co) and the coal preparation technology of Davy McKee.

■ THE SCOTTISH AMERICAN INVESTMENT COMPANY (Saints) has appointed Sir James Mellon, chairman of Scottish Homes, as a director. He retired from the Diplomatic Service last December.

■ Mr K.K. Hartley has been appointed to the board of WELLS HYDRAULIC ENGINEERING, Basingstoke, to be responsible for the sales of the Sims pump.

■ CITICORP SCRIMGEOUR VICKERS has appointed Mr Graham Simister as head of market making. He was general manager in charge of treasury at Nomura Bank International.

■ BRITISH & COMMONWEALTH MERCHANT BANK has recruited three managers from Touche Ross & Co's corporate finance group to establish a leveraged buy-out capacity in the bank. The team is headed by Mr Harpal Randhawa who will become a director in a new subsidiary company.

■ We have been asked to point out that Mr Michael J. O'Riordan has been appointed group marketing director of ITL INFORMATION TECHNOLOGY, and not group managing director as reported on February 10.

Board changes in TSB group

As part of organisational changes at TSB TRUST COMPANY Mr Brian Brown (above) has been appointed chief executive. He was managing director. Mr Paul Brooks, previously finance director, becomes deputy chief executive. Mr Mike Ramsey, previously marketing director and chief actuary, becomes managing director, TSB Life and Pensions. Mr Bruce McDowell, previously customer services and technology director, becomes managing director, TSB General Insurance. Mr Geoff Gray, previously divisional manager, overseas, becomes managing director, TSB Unit Trusts & Offshore. Mr Richard Swallow, is promoted from divisional manager, TSB Insurance Brokers, to managing director.

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AUTHORISED UNIT TRUSTS

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.85	46.33xd	49.29	+0.29	5.56
Gilts & Fixed Int	6	115.10	115.10	122.20	-0.2	2.18
High Inc Equity	6	126.40	128.00	137.70	-1.1	4.32
Worldwide Bond	6	185.1	185.1	196.2	-0.7	4.94
Capital Growth						
American Growth	6	156.20	158.10xd	168.1	-0.3	1.30
Asian Pacific	6	80.23	81.56	87.22	-0.32	1.24
Assets & Earnings	6	151.20	151.20	161.30	-3.7	2.45
Capital Reserve Acc	0	83.04	83.04	83.14	-0.07	4.81
Comdy & Energy	6	95.09	95.09	101.80	-1.0	0.00
1992 Enterprise	6	52.73	53.74	57.17	-0.41	3.15
European Capital	6	76.55	76.55	81.88	-0.56	0.92
General	6	166.10	169.20xd	179.90	-2.0	2.50
Japan	6	105.4	107.2	114.0	-0.1	0.00
Mastertrust	6	79.45	79.45	83.86	-0.36	1.75
UK Growth Acc	6	192.5	192.5	205.9	-4.00	1.66
UK Growth Dist	6	128.9	128.9	137.9	-3.3	2.47
US Emerging Cos	6	46.45	48.00	51.12	-0.13	0.00
Income & Growth	6	278.8	279.8	298.20	-7.9	3.19
Ethical	6	46.93	48.07	51.13	-0.37	2.44

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	42.70	42.70	45.43		1.85
Australian	5¼	23.37	23.37	24.86	-0.27	1.30
European	5¼	52.30	52.30	55.64	-0.14	0.00
Extra Income	5	41.78	41.78	44.35	-0.43	5.00
Fund Inv Tst	5	114.9	114.9	122.1	-1.9	2.46
Do Accum	5	175.2	175.2	186.1	-2.8	2.46
Gilt & Fixed Int	5¼	21.90	21.90	23.30	-0.06	10.11
Global Income	5¼	38.83	38.83	41.31	-0.15	4.54
Income & Growth	5¼	70.58	70.58xd	75.08	-0.77	3.89

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JS 01-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	182.8	182.8	189.1	.....	4.28

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	64.36	66.96xd	69.98	-0.4	1.68
(Accum Units)	5	65.29	66.91	70.99	-0.4	1.60
Fellowship Tst	5	64.18	64.18	67.87	-0.32	1.53
(Accum Units)	5	66.42	66.42	69.18	-0.32	1.53
General Inc	5	293.0	300.2	318.5	-5.2	2.30
(Accum Units)	5	487.5	499.2	529.7	-8.6	2.30
Income	5	150.5	155.3	164.8	-2.7	4.11
(Accum Units)	5	287.6	296.8	314.9	-5.1	4.11
International	5	113.9	115.9	120.5	-1.1	2.70
(Accum Units)	5	154.4	154.4	163.3	-1.4	2.70
Smaller Co's	5	100.0	107.7	114.3	-0.1	1.17
(Accum Units)	5	114.9	117.9	125.1	-0.2	1.17
Far Portfolio	2½	52.26	54.15xd	55.82	+0.91	3.18

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Str Ded Gilt & FI	1¼	53.00	53.00	53.73	+0.02	11.35

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green W12 8SD 01-740 7070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
US General Tst	5½	51.96	52.83xd	56.5	-0.64	2.78
Global Tst	5½	39.87	40.00	42.85	-0.28	2.30
Recovery Tst	5½	54.67	56.96	60.6	-0.04	2.61

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	102.9	104.3	110.0	-1.7	3.38

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	53.91	53.91	57.33	-0.46	0.43
CS International	5	52.97	52.97	56.35	-0.18	1.81
CS Japan	5	122.9	122.9xd	130.7	+1.6	0.38
CS Portfolio Inv ●	5	65.82	65.82	70.01	-0.54	2.05

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	132.5	137.1xd	144.9	-1.40	2.96

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31, Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.8	117.9	125.4	-0.9	2.05
PM Income & Gth	5	104.0	105.6	112.3	-1	4.24
PM Nth Amer Gth	5	46.77	46.77	49.75	-0.1	0.91
PM European Gth	5	46.78	46.89	49.88	+0.11	0.89
PM Japan Gth	5	80.22	80.36	85.48	+0.48	0.29
PM Overseas Gth	5	50.08	50.08	53.27	+0.03	0.89

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init Chrge	Cnc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convbl & Equity	5	62.08	64.30	68.61	-0.44	5.95
European	5	56.49	57.07xd	60.72	+0.90	0.44
Far Eastern	5	54.77	54.77	58.26	—	0.21
Growth	5	87.50	91.09	96.61	-0.96	1.69
Income	5	81.05	82.50xd	87.87	-1.17	3.85
Property Share	5	53.69	54.69	58.22	—	1.30
Smaller Co's	5	58.01	61.16	65.09	-0.27	2.66
Formerly KNG Trust Managers Ltd						
Windsor Sel Gth Acc ♦	5	62.64	62.64	66.99	+0.80	1.92
Windsor Select Inc ♦	5	66.79	66.79	71.41	-0.99	5.46
Windsor Sel Inc Acc ♦	5	71.66	71.66	76.64	-1.05	5.46
Windsor Nth Amer ♦	5	51.54	51.54	55.13	+0.6	1.87
Windsor Intl ♦	5	41.18	41.18	44.04	-0.1	1.49
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	94.93	94.93	98.95	—	3.82
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1200)F						
Woodsome Pt, Fenay Bdge, Huddersfield. 0484 602250						
Yorkshire General	5¼	59.63	62.15	66.12	-0.57	3.17
YUTM UK Eqty Inc Tst	5¼	58.54	60.36	64.21	-0.90	4.62
YUTM Intl Gwth Tst ♦	5¼	46.16	46.16	49.22	-0.27	1.12

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt Feb 1	429.0	446.1	—	—
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Jan 31		492.95	—	4.77
Fxd Inc Sec Jan 31		143.75	—	9.95
Deposit Jan 31		100.00	—	12.45
Charities Official Invest. Fund‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Jan 31		469.11	—	4.97
Accum Jan 31		1500.47	—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Feb 8	123.1	126.5	+2.6	1.78

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gr's
Japan Expt Feb 8	61.6	64.1	+0.0	0.35
Managed Ex Feb 9	43.1	44.8	+0.8	4.12
SE Asia Expt Feb 8	42.4	44.5	+0.0	1.88
Sm Cos Expt Feb 8	45.5	47.7	+0.0	2.54
UK Eqty Ex Feb 8	38.2	40.1xd	+0.0	3.94
New Court Property Fund Managers				
NC Property	205.2	216.0	—	—
Phillips & Drew Fund Management Ltd				
PDFM Small Co's Feb 7	846.0	894.0	—	4.25
Do Accum	886.0	937.0	—	4.25
PDFM Int Expt Feb 9	133.0	135.4	—	2.60
J. Rothschild Fund Managers Ltd				
Intl Exempt	113.1	114.6	—	—

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Investment Mngt, M & G Inv Mngt Ltd)				
AA Friendly Sy Feb 10	—	156.5	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	269.5	283.7	—	—
Equity Ser. 1	125.3	131.9	-1.2	—
Prop. Acc. Ser 2	402.4	423.6	—	—
Equity Ser 2	142.2	149.7	-1.2	—
Selective Acc.	314.9	333.6	-1.5	—
Prop. Ser. 4	324.0	341.1	—	—
Equity Ser. 4	144.0	151.6	-0.9	—
Fixed Int. Ser. 4	224.2	236.2	-0.3	—
Indexed Int. Ser. 4	134.5	141.6	-0.6	—
American Ser. 4	269.8	284.0	+0.5	—
High Inc. Ser. 4	412.4	434.2	-3.4	—
Japan Ser 4	309.7	326.0	+0.2	—
Man. Ser. 4	405.8	427.2	-1.8	—
Money Ser. 4	224.2	236.1	—	—
European Ser 4	99.1	104.4	-0.4	—
Pension Funds				
Property	566.9	596.7	—	—
Equity	1044.5	1099.5	-9.7	—
Selective	339.2	357.1	-2.7	—
Managed	756.2	796.0	-4.9	—
Security	419.9	442.0	—	—
Fixed Int.	254.7	268.2	-0.4	—
European	138.1	145.4	-0.8	—
American	222.1	233.5	+0.5	—
Japan	332.0	349.5	+0.3	—
Indexed	143.6	151.2	-0.6	—
International	170.0	179.0	-0.3	—
Ethical	111.2	117.1	-0.8	—
High Income	113.1	119.1	-1.1	—
Abtrust Management Ltd				
29, Chiswell St, London, EC1Y 4TY 01-374 6801				
Managed Growth	322.78	339.77	—	—
Managed Income	141.72	149.18	—	—
AEtna Life Insurance Co Ltd				
2-12 Pentonville Rd, London N1 9XD 0800 010575				
Life Funds (Accumulator Units)				
Squirrel	12.29	12.94	+0.01	—
Bear	13.15	13.85	-0.06	—
Owl	16.40	17.27	-0.09	—
Bull	14.59	15.36	-0.03	—
Stag	15.36	16.17	-0.02	—
Gilt-Edged		12.32	-0.02	—
Deposit		12.17	+0.00	—
North American	9.07	9.55	-0.11	—
European	8.61	9.07	-0.03	—
Property	12.26	12.91	-0.02	—
Index Linked	10.65	11.22	-0.02	—
Far Eastern	12.16	12.80	+0.01	—
UK Equity	12.53	13.19	-0.06	—

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Life and M & G Pensions – Contd.				
Deposit (Cap)	164.7	173.0	+0.2	—
Deposit (Acc)	247.3	259.7	+0.2	—
European (Cap)	129.3	135.9	+0.1	—
European (Acc)	194.2	204.0	+0.2	—
Equity (Cap)	435.8	457.7	-2.8	—
Equity (Acc)	654.3	687.3	-4.2	—
Gilt (Cap)	258.2	271.2	-0.9	—
Gilt (Acc)	387.7	407.2	-0.3	—
Gold (Cap)	60.9	64.8	+0.1	—
Gold (Acc)	91.4	96.1	+0.3	—

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey 0306 887766				
Capital Growth	117.7	123.9	+0.3	—
Managed Income	118.7	124.9	-0.8	—
Cap Gwth Ser D	109.1	114.8	-0.3	—
Mngd Income Ser B	101.7	107.1	-3.5	—
New Era Pensions				
Mgd Gilt Edged Fd	104.4	104.4	-0.1	—
Mgd Bldg Soc Fd	106.5	106.5	—	—
Mgd Currency Fd	106.5	106.5	—	—
Deposit Fd	106.3	106.3	—	—

[illegible]

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MANAGEMENT SERVICES

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LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
101	98	Treas 9½pc Cnv 1989	99	.....	9.55	12.34
98	95	Treas 3pc 1989	98		3.05	9.46
102	98	Treas 10½pc 1989	99	.....	10.57	12.50
102	98	Exch 10pc 1989	98	.....	10.10	12.34
103	98	Exch 11pc 1989	99¼		11.08	12.19
97	94	Treas 5pc 1986-89	96		5.16	9.90
104	98	Exch 10¼pcCv '89	99½	.....	10.31	11.09
107½	101	Treas 13pc 1990‡‡	101		12.82	11.28
104	99	Exch 11pc 1990‡‡	99¾xd		11.02	11.24
107	100	Exch. 12¼pc 1990	101xd	.....	12.35	11.33
93	90	Treas. 3pc 1990	92¾		3.24	9.51
99	95	Treas 8¼pc 1987-90‡‡	96	.....	8.54	11.03
102¼	95	Treas. 8pc Cv 1990‡‡	98		8.12	9.14
103	97¼	Treas. 10pcCv 1990	98		10.15	10.98
91	87	Exch 2½pc 1990	89¼		2.79	8.88
107¼	100	Treas 11¼pc 1991	101½		11.58	10.85
95	89	Funding 5¾pc '87-91‡‡	91¾	.....	6.27	10.17
90	86	Treas. 3pc 1991	88½		3.40	8.83
105	97	Treas 10pc Cv '91‡‡	100	.....	9.99	9.95
107	98	Exch. 11pc 1991	100		10.90	10.59
98	91	Treas 8pc 1991	93		8.52	10.53
113	103	Treas 12¾pc 1992‡‡	106		12.01	10.28
104	96	Treas 10pc 1992	99xd		10.09	10.34
98	91¼	Treas. 8pc 1992‡‡	93¾		8.53	10.34
100	98	Treas 10½pc Cv 1992‡‡	100		10.45	10.31
86	81	Treas. 3pc 1992	85		3.53	8.27
112	102	Exch. 12¼pc '92	105½xd		11.62	10.31
117	100	Exch 13½pc 1992	109xd		12.34	10.31
97	91	Treas 8¼pc 1993	93xd		8.81	10.20
105	96	Treas 10pc 1993‡‡	99¾		10.03	10.06
115	105	Treas 12½pc 1993‡‡	108		11.54	10.12
93	85¼	Funding 6pc 1993‡‡	87½xd		6.84	9.34
121	110	Treas 13¾pc 1993‡‡	113	.....	12.12	10.11
101	90	Treas. 8½pc 1994	93		9.06	10.11

Five to Fifteen Years

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
125	113	Treas 14½pc 1994‡‡	117½xd		12.35	10.01
120	109	Exch 13½pc 1994	113		11.93	10.16
105	96	Treas. 10pc Ln. 1994‡‡	100		9.99	9.96
116	106	Exch. 12½pc 1994	109xd		11.39	10.15
101	92	Treas 9pc 1994‡‡	96		9.37	9.90
114	104	Treas 12pc 1995	108		11.09	10.12
83½	77	Exch 3pc Gas 90-95	79		3.82	7.56
106	97	Exch. 10¼pc 1995	101		10.13	9.99
120	109	Treas 12¾pc 1995‡‡	113		12.28	10.01
126	114	Treas. 14pc '96	119		11.77	10.11
101	92	Treas. 9pc 1992-96‡‡	97xd	.....	9.28	9.59
133	122	Treas 15¼pc 1996‡‡	126		12.07	10.03
123¼	112	Exch 13¼pc 1996‡‡	116		11.36	9.96
105	96	Conversion 10pc 1996	100		9.92	9.84
124	113	Treas 13¼pc 1997‡‡	117		11.25	9.95
108	99	Exch 10½pc 1997	103xd		10.13	9.83
98	90	Treas 8¾pc 1997‡‡	94xd		9.23	9.65
134	123	Exch 15pc 1997	128		11.72	10.08
104	95	Exch. 9¾pc 1998	100		9.75	9.75
87	80	Treas 6¾pc 1995-98‡‡	84		8.01	9.32
140	129	Treas. 15½pc '98‡‡	133		11.59	9.96
118	108	Exch. 12pc 1998	113		10.60	9.85
103	95	Treas 9½pc 1999‡‡	100		9.49	9.48
120	110	Exch. 12¼pc 1999	115		10.63	9.83
109	100	Treas. 10½pc 1999	105		10.00	9.72
107	99	Conversion 10¼pc 1999	103		9.90	9.71
100	86	Treas. 8½pc Ln 2000‡‡	93		9.10	9.47
99	92	Conversion 9pc 2000‡‡	96xd		9.31	9.49
126	116	Treas. 13pc 2000	121½		10.70	9.83
106	98	Treas 10pc 2001	103xd		9.71	9.57
129	119	Treas. 14pc '98-01	123		11.32	10.01
104	97	Conversion 9¾pc 2001	101		9.60	9.54
118	108	Exch. 12pc '99-02	113		10.59	9.87
107	99	Conversion 10pc 2002	104		9.62	9.46
105	97	Treas 9¾pc 2002	102xd		9.53	9.44
99	92	Exch. 9pc 2002	97		9.27	9.37
131	121	Treas. 13¾pc 2000-03	126		10.90	9.88
108	100	Treas 10pc 2003	105xd		9.52	9.35

Over Fifteen Years

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
117	108	Treas. 11½pc 2001-04	112xd		[illegible]	9.67
108	100	Treas. 10pc 2004	105		[illegible]	9.27
61	54	Funding 3½pc '99-04	59		[illegible]	8.17
104	97	Conversion 9½pc 2004	102		[illegible]	9.22
104	97	Conversion 9½pc 2005	102½		[illegible]	9.20
113	105	Exch. 10½pc 2005	111xd		[illegible]	9.18
128	119	Treas. 12½pc 2003-05	124		[illegible]	9.41
92	85	Treas. 8pc 2002-06‡‡	90	.....	[illegible]	9.13
106	99	Conversion 9¾pc 2006	105		[illegible]	9.15
121	112	Treas. 11¾pc 2003-07	118		[illegible]	9.39
97	89	Treas 8½pc 2007‡‡	95		[illegible]	8.99

BRITISH FUNDS—Contd

Undated

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45	41	Consols 4pc	44		8.90	—
40	37	War Loan 3½pc‡‡	40¼		8.69	—
67	48	Conv. 3½pc '61 Aft	67		5.22	—
36	30	Treas 3pc '66 Aft	36	.....	8.33	—
28	26¼	Consols 2½pc	28		8.83	—
29	26½	Treas. 2½pc	28¼		8.84	—

Index-Linked

1988/89 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
125	117½	Treas 2pc IL '90(84.6)	125	.....	0.48	3.12
105	99½	Do. 2pc '92‡‡(97.8)	105	.....	2.73	3.55
97	92½	Do. 2 '94 (102.9)	97	.....	3.05	3.53
142	127	Do. 2pc '96(67.9)	142xd	.....	3.23	3.57
122	103	Do 2½pc '01(78.3)	121		3.39	3.63
120	101	Do. 2½pc '03(78.8)	119		3.43	3.64
122	102	Do. 2pc '06(69.5)	121		3.48	3.65
115	95	Do. 2½pc '09(78.8)	114		3.48	3.64
120	99	Do 2½pc '11(74.6)	119xd		3.47	3.62
100	82	Do. 2½pc '13(89.2)	99xd		3.45	3.59
108	88	Do. 2½pc '16(81.6)	107		3.42	3.56
105	87	Do. 2½pc '20(83.0)	105		3.38	3.50
89	73	Do. 2½pc '24‡‡(97.7)	88½		3.35	3.46

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988/89 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	100		10.26	10.14
104	96	Asian Dev Bk 10¼pcLn2009	104		9.82	9.75
130¼	120	Australia 13½pc 2010	129xd		10.41	10.09
113	103	Do. 11½pcLn2015	113		10.07	9.97
110	103	Euro Inv Bk 11pc Ln 2002	108		10.17	9.90
105	98	Do. 10¼pc2004	104¼		9.96	9.85
120	112	Int-Am Dev Bk 12½pc 2003	118		10.58	10.04

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14⅛	USX $1	17⅞	+⅛	$1.40	–	4.4
152½p	44p	♦Unilab	130p	.....	–	–	–
28	17⅝	Utd. Technologies	25⅜	–⅛	$1.60	–	3.5
153p	27p	♦UtiliTech Inc	138p	.....	–	–	–
35⅝	26¼	US West	35	+⅛	$3.52	–	5.6
26	16⅞	Waste Management $1	24⅞	+⅛	46c	–	1.1
16⅝	12⅞	Whirlpool $1	15⅛	–⅛	$1.10	–	4.0
20⅝	15	Whitman Corp	19	.....	96c	–	2.8
33¾	18¼	♦Woolworth $3½	30⅛	–⅛	$1.64	–	3.0

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♦ABM Gold Corp	157p	+8	–	–	–
32p	4½p	♦Abbot Energy Corp	12p	.....	–	–	–
14¼	862p	♦Amer. Barrick Res	11⅛	+⅛	–	–	–
10p	2½p	♦Amer. Lightwave	2½p	.....	–	–	–
47p	7½p	♦Armenc	16½p	.....	–	–	–
76p	23p	♦Asamera Explr	24p	.....	–	–	–
14⅝	10⅝	Bk. Montreal	14⅛	–⅛	$2.12	–	7.2
769p	510p	Bk. Nova Scot.	711p	–17	64c	–	5.7
18¼	15¼	BCE	18⅛	–⅛	$2.44	–	6.4
716p	527p	♦Bow Valley	681p	–13	40c	–	2.8
14¼	10⅛	♦Brascan	13⅛	–⅛	88c	–	3.1
328p	177p	♦Breakwater Res	207p	+2	10c	–	2.3
13¼	801p	Can. Imp Bank	12⅛	–⅛	$1.16	–	4.5
12¼	841p	Can. Pacific	11½	–⅛	76c	–	3.2
41⅛	38¼	Do. 4pc Deb £100	36½	.....	4%	–	10.4
515p	357p	Central Capital "4"	366p	–8	–	–	–
485p	312p	♦Corona Corp	434p	–4	–	–	–
886p	228p	♦Cons TVX Min	304p	–30	–	–	–
371p	22p	♦Dames Mem. Sys.	264½p	+2½	–	–	–
686p	430p	♦Derlan Inds	615p	+1	11.75c	–	0.9
14¼	746p	♦Echo Bay Mines	892p	+9	50.07	–	0.4
839p	245p	♦ECO Corp	374p	+4	–	–	–
40p	11½p	♦Energex Minerals	13p	+½	–	–	–
125p	83p	♦Euro-Asia Capital	108p	.....	–	–	–
386p	195p	♦Galactic Resources	219p	+2	–	–	–
423p	267p	Gandalf Techs. Inc	275p	–4	–	–	–
125p	41p	♦Geodome Res	48½p	.....	–	–	–
394p	141p	Granges Explnl	164p	+2	–	–	–
19½	31½p	♦Gt. Pacific Res	19⅛	+⅛	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

For Marlton Grp see Aitch Hldgs.

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
237 150 Royal Sovereign 10p. y	197	.....	†4.6	1.9	3.1	18.4
26 20 Scott Pickford 10p.. y	20½	-½	3.1	0.7	20.2	10.6
116 68 Seacon Hldgs....... y	108	.....	Z1.0	-	1.2	-
11½ 7 Sonic Tape 2½p.... y	9½	+1	...	-	-	12.5
27 15 Stats Hldgs. 5p.... y	15	.....	-	-	-	17.8
*4½ 1¾ Swanyard Studios 1p y	2	.....	-	-	-	♦
350 200 Takare.............. y	335	.....	b1.0	8.1	0.4	34.4
36 26 Tomorrows Leisure 20p y	30	+1	-	-	-	14.9
25 13½ Tallow Oil 10p..... y	17	.....	-	-	-	-
135 100 UPL Group 10p..... y	100	.....	L2.41	4.3	3.2	11.6
182 120 Unit Group......... y	147	+2	F7.5	2.9	6.8	8.4
17½ 12½ Whitegate Leisure 20p y	15½	.....	-	-	-	-
12 6 Do. Wrnts......... y	12	+½	-	-	-	-
6½ 2 Wilton Group 1p... y	5	.....	-	-	-	-

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	77	......
Craig & Rose £1.. y	710	......
Finlay Pkg. 5p.... y	89	......
Nolt (Jos) 25p.... y	1235	......

IRISH

Cap. 8½% Ln. 1991....	£99½	......
9pc Cap Ln. 1996..	£100	-¼
Fin. 13% 97/02 ..	£122¼	......
Arnotts..............	425	+5
Carrol (P.J.)....... y	154	......
Hall (R. & H.)	175	......
Helton Hldgs....... y	78xd	+1
Irish Ropes..........	180	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord.	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	11
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	26
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	34
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	11
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42
Property	
Brit Land	30
Land Securities	52
MEPC	58
Peachey	54
Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21
Mines	
Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Rates paint a cloudy picture

A CLOUDY interest rate picture dominated the foreign exchanges, while rumblings about political scandals in Japan and France could be heard in the distance but did not threaten to have any early impact on currencies.

Friday's events in the US, including an unexpectedly sharp jump of 1 per cent in January producer prices and a rise in bank prime rates, set the tone. These highlighted the general concern about rising inflation in several major economies, including the US, West Germany and the UK.

Speculation about tighter monetary policy has been encouraged recently by inflationary pressure. The Federal Reserve voted for tighter credit policy in December, but whether the latest events will produce a rise in the US discount rate remained open to doubt yesterday. It was also suggested that the West German Bundesbank is likely to wait for evidence about the impact of previous monetary moves, including the rise in its discount rate last month, before deciding whether another round of credit tightening is necessary.

The dollar hovered around DM1.8700 throughout in Europe, and closed at that level, compared with DM1.8615 on Friday. It also rose to SFr1.5890 from SFr1.5820 and to FFr6.3625 from FFr6.3350. In terms of the yen, the dollar was only slightly stronger at Y128.40, against Y128.35. On Bank of England figures the dollar's exchange rate index rose to 67.5 from 67.3.

The share bribery scandal in Japan appears to have weakened the position of the ruling Liberal Democratic Party, but not as yet the yen, while in France President Mitterrand moved to defend himself against suggestions that financial scandals are harming his term of office. Equity and Government bonds reacted adversely in Paris, but the franc was unmoved.

Figures published yesterday suggested that in common with the US, British wholesale prices are rising faster than expected. Producer output prices in January rose 1 per cent, compared with expectations of 0.7 per cent and only 0.2 per cent in December. January input prices rose 0.6 per cent, against forecasts of 0.2 per cent and 0.5 per cent in December.

News on UK retail sales was better however. These were forecast to be flat or possibly to rise 0.2 per cent, but in the event fell 1.5 per cent, compared with a rise of 0.3 per cent in December.

Dealers remained cautious, believing it is too early to look for a cut in UK bank base rates. Retail prices are unlikely to have peaked yet, and the UK authorities will be wary of provoking a weakening of sterling, by reducing London's interest rate advantage at a time when rates in the US and Continental Europe may still be moving higher.

Sterling fell 55 points to $1.7485, and also declined to Y224.50 from Y225.25, but rose to DM3.2700 from DM3.2650; to SFr2.7775 from SFr2.7750; and to FFr11.1250 from FFr11.1125. According to the Bank of England the pounds index was unchanged at 97.8.

£ IN NEW YORK

Feb.13	Latest	Previous Close
£ Spot	1.7480-1.7490	1.7460-1.7470
1 month	0.48-0.47pm	0.48-0.46pm
3 months	1.39-1.36pm	1.41-1.37pm
12 months	3.72-3.65pm	3.75-3.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.13	Previous
8.30 am	97.8	98.0
9.00 am	97.8	98.0
10.00 am	97.8	97.9
11.00 am	97.8	98.0
Noon	97.9	97.9
1.00 pm	97.8	98.0
2.00 pm	97.7	97.8
3.00 pm	97.7	97.8
4.00 pm	97.8	97.8

CURRENCY RATES

Feb.13	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.745844	0.637491
U.S Dollar	6.50	1.32166	1.11529
Canadian $	11.54	1.56759	1.32162
Austrian Sch.	4	17.1207	14.6783
Belgian Franc	7.75	51.0601	43.7473
Danish Krone	7½	9.46782	8.11765
Deutsche Mark	4	2.43354	2.08760
Neth Guilder	5.00	2.75145	2.35661
French Franc	9½	8.29137	7.10329
Italian Lira	12½	1775.59	1520.70
Japanese Yen	2½	168.868	143.259
Norway Krone	8	8.81020	7.52487
Spanish Peseta	-	151.249	129.552
Swedish Krona	8½	8.29203	7.08098
Swiss Franc	4	2.06739	1.77443
Greek Drach.	20½	N/A	173.785
Irish Punt	-	N/A	0.781728

*All SDR rates are for Feb.10

CURRENCY MOVEMENTS

Feb.13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.8	-14.3
U.S Dollar	67.5	-11.1
Canadian Dollar	102.6	-0.4
Austrian Schilling	106.1	+9.3
Belgian Franc	105.2	-6.6
Danish Krone	102.4	-2.4
Deutsche Mark	112.0	+19.8
Swiss Franc	107.8	+17.4
Guilder	109.5	+12.4
French Franc	98.4	-16.2
Lira	97.6	-20.0
Yen	150.6	+82.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Feb.10

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7473	+3.04	+0.94	±1.5344
Danish Krone	7.85212	8.11765	+3.38	+1.28	±1.5404
German D-Mark	2.05853	2.08760	+1.41	-0.69	±1.0981
French Franc	6.90403	7.10329	+2.89	+0.79	±1.3674
Dutch Guilder	2.31943	2.35661	+1.60	-0.50	±1.5012
Irish Punt	0.768411	0.781728	+1.73	-0.37	±1.6684
Italian Lira	1483.58	1520.70	+2.50	+1.18	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7456 - 1.7520	1.7480 - 1.7490	0.48-0.45cpm	3.19	1.38-1.33pm	3.10
Canada	2.0705 - 2.0775	2.0745 - 2.0755	0.37-0.23cpm	1.75	0.76-0.57pm	1.28
Netherlands	3.68½ - 3.70	3.68½ - 3.69½	1¾-1¼cpm	5.89	5¾-5¼pm	5.96
Belgium	68.45 - 68.75	68.50 - 68.60	32-26cpm	5.08	88-80pm	4.90
Denmark	12.70 - 12.74½	12.71 - 12.72	5¼-4¾orepm	4.72	15¼-14¾pm	4.68
Ireland	1.2240 - 1.2280	1.2240 - 1.2250	0.45-0.40ppm	4.16	1.50-1.40pm	4.74
W. Germany	3.26¼ - 3.27¾	3.26¾ - 3.27¾	1¾-1⅝pfpm	6.19	5¼-5pm	6.26
Portugal	267.05 - 268.50	267.45 - 268.45	51-12cpm	1.41	100-16pm	0.87
Spain	202.70 - 203.70	202.90 - 203.30	14-4cpm	0.53	19-4pm	0.23
Italy	2381 - 2387½	2381¾ - 2382¾	3-2lirepm	1.26	7-4pm	0.92
Norway	11.78½ - 11.82¾	11.78½ - 11.79½	1¾-1½orepm	1.72	5¾-4¾pm	1.74
France	11.11⅝ - 11.15	11.12 - 11.13	3½-3¼cpm	3.71	10½-10¼pm	3.71
Sweden	11.09 - 11.12¼	11.09 - 11.10	2¼-1¾orepm	2.23	7-4¾pm	2.12
Japan	224 - 225¾	224 - 225	1¾-1½ypm	8.35	4¾-4½pm	8.13
Austria	22.98 - 23.04	23.00 - 23.03	12¼-11¾gropm	6.16	37¼-34¾pm	6.26
Switzerland	2.77¼ - 2.78½	2.77¾ - 2.78¾	1⅝-1½cpm	8.35	4¾-4½pm	8.57

Belgian rate is convertible francs. Financial franc 68.95-69.05. Six-month forward dollar 2.41-2.36cpm 12 months 3.70-3.60cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7455 - 1.7520	1.7480 - 1.7490	0.48-0.45cpm	3.19	1.38-1.33pm	3.10
Ireland†	1.4245 - 1.4305	1.4275 - 1.4285	0.22-0.27cdis	-2.06	0.65-0.75dis	-1.96
Canada	1.1835 - 1.1875	1.1860 - 1.1870	0.12-0.17cdis	-1.47	0.51-0.56dis	-1.84
Netherlands	2.1070 - 2.1155	2.1105 - 2.1115	0.48-0.45cpm	2.64	1.53-1.49pm	2.86
Belgium	39.10 - 39.30	39.13 - 39.25	7.00-5.00cpm	1.84	19.00-16.00pm	1.78
Denmark	7.26 - 7.29	7.27 - 7.27½	1.05-0.80orepm	1.52	2.95-2.55pm	1.51
W. Germany	1.8655 - 1.8745	1.8695 - 1.8705	0.48-0.45pfpm	2.98	1.49-1.46pm	3.14
Portugal	152¾ - 153¾	152⅝ - 153¾	12-32cdis	-1.72	60-110dis	-2.22
Spain	115.90 - 116.40	116.10 - 116.20	20-30cdis	-2.58	80-90dis	-2.92
Italy	1360¾ - 1365	1362¼ - 1362¾	1.70-2.20liredis	-1.72	7.30-7.80dis	-2.21
Norway	6.73½ - 6.75¾	6.74 - 6.74½	0.75-0.95oredis	-1.51	2.15-2.45dis	-1.36
France	6.35 - 6.37¾	6.36 - 6.36½	0.25-0.20cpm	0.42	0.85-0.75pm	0.50
Sweden	6.33¾ - 6.35½	6.34¼ - 6.34¾	0.50-0.64oredis	-1.08	1.05-1.35dis	-0.76
Japan	128.05 - 128.80	128.35 - 128.45	0.54-0.52ypm	4.94	1.61-1.58pm	4.96
Austria	13.12½ - 13.17¾	13.17 - 13.17½	3.50-3.00gropm	2.96	11.10-9.60pm	3.14
Switzerland	1.5865 - 1.5945	1.5885 - 1.5895	0.48-0.45cpm	3.50	1.50-1.46pm	3.72

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.40-39.50.

EURO-CURRENCY INTEREST RATES

Feb.13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¾-12¾	13-12¾	13⅛-12⅞	13⅛-12⅞	12⅞-12¾	12¾-12½
US Dollar	9¾-9¼	9¾-9¼	9⅞-9¾	9⅞-9¾	9⅞-9⅞	10⅛-10⅛
Can. Dollar	11¼-10¾	11-10¾	11¼-11	11⅝-11⅜	11⅞-11⅝	12-11¾
D. Guilder	6⅜-6⅛	6⅜-6⅛	6⅝-6½	6⅞-6⅞	6⅞-6⅞	7-6¾
Sw. Franc	5⅛-5⅛	5⅝-5⅜	5⅜-5⅝	5⅞-5⅝	5⅞-5⅞	5⅞-5⅞
Deutschmark	6⅛-5⅞	6⅛-6	6⅛-6⅛	6⅜-6⅛	6⅜-6⅛	6⅜-6⅝
Fr. Franc	8⅞-8⅝	8⅞-8⅞	9-8¾	9⅛-9	9⅛-9⅛	9⅛-9⅛
Italian Lire	11-9	11⅛-10⅛	11⅛-11⅛	12⅛-11⅞	12⅛-12	12⅜-12⅛
B. Fr. (Fin)	6⅛-6⅛	7⅛-7⅛	7⅞-7⅞	8⅛-7⅞	8⅛-8	8⅜-8⅛
B. Fr. (Con.)	6⅛-6⅛	7⅛-7	8⅛-7⅞	8⅛-7⅞	8⅛-7⅞	8⅜-7⅞
Yen	4⅛-3⅞	4⅛-4⅛	4⅜-4⅛	4⅝-4½	4⅞-4⅜	4⅞-4⅝
D. Krone	7⅞-7⅞	7⅞-7⅞	8⅛-7⅞	8⅛-8⅛	8⅛-8⅛	8⅜-8⅛
Asian $Sing	9⅛-9⅛	9⅛-9⅛	9⅞-9⅛	9⅞-9⅞	9⅞-9⅛	10⅛-10

Long term Eurodollars: two years 10⅛-10⅛ per cent; three years 10⅛-10 per cent; four years 10⅛-9⅞ per cent; five years 10-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Fears of tightening

ATTENTION CONTINUED to centre on a possible tightening of US and West German monetary policy yesterday, as the Federal funds rate rose in New York and call money in Frankfurt hovered close to the Bundesbank's Lombard emergency financing rate of 6 per cent.

In New York it was suggested the Federal Reserve had raised its trading band for Federal funds from 9-9¼ per cent. The authorities failed to intervene in the money market as the funds rate rose to 9⅞ per cent from an average of 9.19 per cent on Friday.

UK clearing bank base lending rate 13 per cent from November 25

Speculation about higher German rates was fuelled by a rise in the rate that the Dutch Central Bank provided liquidity to its domestic money market. The Dutch central bank supplied special advances at 6.30 per cent, compared with 6.25 per cent previously.

The Bundesbank's central council meets on Thursday, but yesterday Mr Leonhard Gleske, a member of the council, appeared to play down the likelihood of tighter German monetary policy. "Call money goes up and down and the situation isn't urgent," said Mr Gleske before he attended the regular monthly meeting of the Bank for International Settlements in Basel.

In London three-month interbank eased to 13-12⅞ per cent from 13⅛-12⅞ per cent. Sentiment received a boost from lower than forecast UK retail sales in January, but this was offset by a sharp rise in producer output prices for the same month.

The Bank of England initially forecast a money market shortage of £350m yesterday, but revised this to £550m at noon and to £600m in the afternoon. Total help of £500m was provided.

Before lunch the authorities bought £278m bills outright, by way of £21m bank bills in band 1 at 12¾ per cent; £173m bank bills in band 2 at 12⅞ per cent; and £24m bank bills in band 4 at 12¾ per cent.

In the afternoon another £197m bills were purchased outright, through £2m bank bills in band 1 at 12¾ per cent; £147m bank bills in band 2 at 12⅞ per cent; and £48m bank bills in band 4 at 12¾ per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,011m, with bank balances below target absorbing £55m. These factors outweighed Exchequer transactions adding £280m to liquidity and a fall in the note circulation of £450m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.13) 3 months US dollars		6 months US Dollars	
bid 9⅝	offer 9¾	bid 9⅞	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	11	One month	8.34	Three year	9.37
Broker loan rate	10¾-¼	Two month	8.94	Four year	9.31
Fed.funds	9⅞	Three month	8.86	Five year	9.28
Fed.funds at intervention	-	Six month	9.06	Seven year	9.25
		One year	9.24	10-year	9.19
		Two year	9.39	30-year	9.05

Feb.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.90-6.00	5.45-5.60	5.85-6.00	6.05-6.20	6.30-6.50	6.00
Paris	8¾-9	8⅞-9⅛	9-9⅛	9⅛-9⅛	9⅛-9⅛	7.25
Zurich	4¾-5¼	5⅛-5⅜	-	5⅜-5⅞	-	-
Amsterdam	6.31-6.43	6.60-6.70	-	6.70-6.80	-	-
Tokyo	3⅞-3⅞	4⅛-4⅛	-	4⅛-4⅞	-	-
Milan	11⅝-12¼	12⅛-12¾	-	12⅛-12¾	-	-
Brussels	3.70	7⅞-7⅞	-	7⅞-8⅛	-	-
Dublin	7¼-7½	7¾-8	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	-

LONDON MONEY RATES

Feb.14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	12⅞	13	13⅛	12⅞	12⅝
Interbank Bid	12	12¾	12⅞	12⅞	12¾	12½
Sterling CDs.	-	-	13	12⅞	12¾	12⅝
Local Authority Deps.	12⅝	12⅞	12⅞	12⅞	12½	12⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13½	12⅞	12¾	12¾	-	-
Company Deposits	-	-	13	13	12¾	12⅝
Finance House Deposits	-	-	13	13	12⅞	12½
Treasury Bills (Buy)	-	-	12⅝	12⅞	-	-
Bank Bills (Buy)	-	-	12⅞	12⅞	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12⅞	-
Dollar CDs	-	-	9.40-9.35	9.60-9.55	9.80-9.75	10.025
SDR Linked Dep Offer	-	-	8⅞	8¾	8½	8⅝
SDR Linked Dep Bid	-	-	7⅞	8⅜	8⅜	8⅜
ECU Linked Dep Offer	-	-	8⅜	8⅝	8⅞	9
ECU Linked Dep Bid	-	-	8½	8½	8⅞	8⅞

Treasury Bills (sell); one-month 12½ per cent; three months 12⅞ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12½ per cent; Treasury Bills; Average tender rate of discount 12.3133 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31, 1989. Agreed rates for period February 26,1989 to March 25, 1989, Scheme I: 13.93 p.c., Schemes II & III: 14.41 p.c. Reference rate for period December 31 to January 31, 1989, Scheme IV&V: 13.171 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from February 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES

US bonds above day's low

INTEREST RATE futures prices were generally weaker on Liffe yesterday, but US Treasury bonds finished well above the day's low, after a partial rally in Chicago, encouraged by a firm dollar.

Trading in interest rate instruments was nervous, as the market waited to see if there has been any tightening in the Federal Reserve's monetary stance and the impact on financial markets.

Possible moves towards higher interest rates in the US and West Germany acted as a further setback to hopes of a cut in UK bank base rates within the foreseeable future.

Short sterling for March delivery fell to 87.12 from 87.15, moving down towards convergence with an unchanged bank base rate level of 13 per cent, at the time of delivery on March 15.

Long gilt futures for March delivery weakened to 98-00 from 98.04. Dealers were pleased with the unexpected fall in January UK retail sales, but concerned about the inflationary implication of a 1 per cent rise in output producer prices for the same month.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	94.31	94.35	94.25	94.47
Jun	93.68	93.76	93.67	93.91
Sep	93.20			93.32

Estimated Volume 11160 (20851)
Previous day's open int. 22880 (21318)

EUROPEAN OPTIONS EXCHANGE

Series		Apr. 89 Vol	Last	Jul. 89 Vol	Last	Oct. 89 Vol	Last	Stock
ABN C	Fl. 45	262	0.80	161	1.30	141	1.70	Fl. 42.40
ABN P	Fl. 45	71	3	9	4	37	3	Fl. 42.40
AEGON C	Fl. 100	9	1	80	1.60	5	3	Fl. 92
AEGON P	Fl. 90	24	2	101	3.60	12	5	Fl. 92
AHOLD C	Fl. 95	100	1.40	7	3.80	-	-	Fl. 91.20
AKZO C	Fl. 150	395	5.20	301	6.70	11	18	Fl. 149.80
AKZO P	Fl. 150	789	3.80	42	8.80	8	9.30	Fl. 149.80
AMEV C	Fl. 55	149	2.10	1774	2.70	7	3.70	Fl. 54.40
AMRO C	Fl. 90	-	-	73	1.30	30	1.50	Fl. 81
AMRO P	Fl. 80	43	2.60	205	3.40	20	4.50	Fl. 81
BUHRMANN-T C	Fl. 65	118	1.60	84	2.20	-	-	Fl. 62.80
BUHRMANN-T P	Fl. 65	53	2.50	-	-	-	-	Fl. 62.80
ELSEVIER P	Fl. 65	53	2.50	20	3.50	-	-	Fl. 63.40
GIST-BROC. C	Fl. 45	295	0.40	60	0.80	14	1.40	Fl. 36.60
GIST-BROC. P	Fl. 35	5	0.80	124	1.70	15	2.20	Fl. 36.60
HEINEKEN C	Fl. 160	81	1.10	5	3.50	-	-	Fl. 148.40
HEINEKEN P	Fl. 150	37	4.60	3	6 B	-	-	Fl. 148.40
HOOGOVENS C	Fl. 85	458	2.30	80	4.20	15	5.50	Fl. 80.50
HOOGOVENS P	Fl. 80	186	3.30	118	5.70	565	6.80	Fl. 80.50
KLM C	Fl. 45	615	1.50	251	2.70	37	3.60	Fl. 44.20
KLM P	Fl. 40	290	0.40	5	1.20	7	1.70	Fl. 44.20
KNP C	Fl. 50	89	2.20	161	3.40	4	4.50	Fl. 49.90
KNP P	Fl. 42.50	200	0.30	-	-	-	-	Fl. 49.90
NEDLLOYD C	Fl. 300	59	13.10	3	21.50 A	-	-	Fl. 296.50
NEDLLOYD P	Fl. 290	79	8	21	16	-	-	Fl. 296.50
NAT.NED. C	Fl. 70	114	0.80	60	1.50	50	2	Fl. 64.60
NAT.NED. P	Fl. 65	273	2	275	3.20	1465	4.30 B	Fl. 64.60
PHILIPS C	Fl. 35	624	1.90	82	2.50	121	3.40	Fl. 35.50
PHILIPS P	Fl. 35	527	1.90	574	2.40	552	2.90	Fl. 35.50
ROYAL DUTCH C	Fl. 120	891	5	41	6.20	9	7.80	Fl. 122.40
ROYAL DUTCH P	Fl. 120	511	1.60	134	3.70	5	5.90	Fl. 122.40
ROBECO C	Fl. 105	55	1.90 B	2	3.50	-	-	Fl. 104.80
ROBECO P	Fl. 105	59	2.40	10	3.80	-	-	Fl. 104.80
UNILEVER C	Fl. 130	505	4	141	5.80	1	8.10	Fl. 129.90
UNILEVER P	Fl. 130	392	3.50	6	5.70	9	7	Fl. 129.90
VAN OMMEREN C	Fl. 40	46	1	129	1.60	22	2.30	Fl. 37.30
VAN OMMEREN P	Fl. 40	118	3	28	4	-	-	Fl. 37.30
WESSANEN P	Fl. 75	-	-	100	2.30	-	-	Fl. 78.20

TOTAL VOLUME IN CONTRACTS : 49,736
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm. Bk. N. East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bank	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh.	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bank	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Credit Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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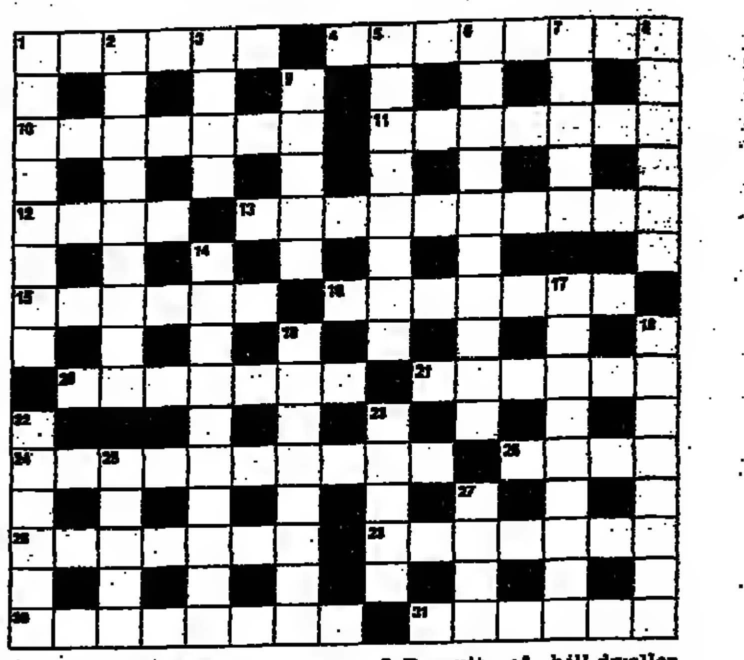
CROSSWORD

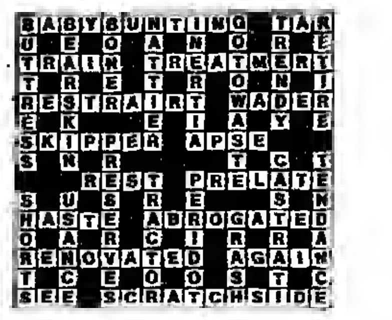
No.6,860 Set by FRESCA



ACROSS
1 Reptile without shelter becomes somnolent (6)
4 Starting business in wine and beer? Could be easily managed (8)
10 Where US politicians gather bits of coal outside mine (7)
11 One way a royal miss has to make listener warmer (7)
12 and 26 Drawn out, twisted and awkward (8)
13 Preachers writing about an alternative sort of Israel (10)
15 Churchill's heart won by northern imp (6)
16 They are excessively fond of rats – odd perhaps? (7)
20 One's book about Los Angeles' energy cut off (7)
21 Inferior fishing tackle crosses vessel in wrong way (6)
24 Overdue after I miss a return match (10)
26 See 12
28 Glazunov's first and Beethoven's fourth in Solti's arrangement for organ (7)
29 Submarine worker, for example, takes another route (7)
30 A programme, of course (4,4)
31 Man on desert island has trouble catching fish (6)

DOWN
1 Part of circle adjacent to zodiac sign with a missing star (8)
2 Cosmetic aids made from sauce and glues (9)
3 See 27
5 Poor rate offered for worker (8)
6 Pursuit of hill-dweller across North America by old copper brought to an end (10)
7 Beast to live without urge to reproduce (5)
8 Fairy-like, egotistical, lacking direction (6)
9 Disaster that's left provisions lying about (5)
14 Princess's plan to involve mum in charge – tactful? (10)
17 Gave up hope of Paris settlement? Indeed! (9)
18 One making use of one rules it out (8)
19 Barnaby, perhaps, involved in thirsty boring work (8)
22 Embargo on leave regularly initiated in Wales (6)
23 Room for a piano-piece? (5)
25 Patient with sore head going to bed, getting up around one (5)
27 and 3 Shows too much enthusiasm about food? (5)

Solution to Puzzle No.6,859



LEGAL NOTICE

WHEADON & ARBUTT LIMITED
COMPANY NUMBER: 138100

NOTICE IS HEREBY GIVEN pursuant to Section 46(1) of The Insolvency Act 1986 that Michael J. Isaacs, F.C.A. and David Swaden, F.C.A. of Messrs. Leonard Curtis & Partners, Peter House, Oxford Street, Manchester M1 5AB, were appointed Administrative Receivers of the whole of the property of the above company on Thursday, 26th January, 1989 by the Hill Samuel Bank Limited under the powers contained in a Debenture dated 12th August, 1987.

M J ISAACS and D SWADEN
Joint Administrative Receivers

DATED 1/2/89

WORLD STOCK MARKETS

AUSTRIA — February 13 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — February 13 — Frs. — + or −

[illegible]

DENMARK — February 13 — Kr. — + or −

[illegible]

FINLAND — February 13 — Mks. — + or −

[illegible]

FRANCE — February 13 — Frs. — + or −

[illegible]

FRANCE (continued) — February 13 — Frs. — + or −

[illegible]

GERMANY — February 13 — Dm. — + or −

[illegible]

GERMANY (continued) — February 13 — Dm. — + or −

[illegible]

ITALY — February 13 — Lire — + or −

[illegible]

ITALY (continued) — February 13 — Lire — + or −

[illegible]

NETHERLANDS — February 13 — Fls. — + or −

[illegible]

NORWAY — February 13 — Kroner — + or −

[illegible]

SPAIN — February 13 — Pts. % — + or −

[illegible]

SWEDEN — February 13 — Kronor — + or −

[illegible]

SWITZERLAND — February 13 — Frs. — + or −

[illegible]

SOUTH AFRICA — February 13 — Rand — + or −

[illegible]

JAPAN — February 13 — Yen — + or −

[illegible]

AUSTRALIA — February 13 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — February 13 — Aust.$ — + or −

[illegible]

HONG KONG — February 13 — H.K.$ — + or −

[illegible]

SINGAPORE — February 13 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices February 10

Sales — Stock — High — Low — Close — Chng

[illegible]

MONTREAL
Closing prices February 10

[illegible]

. Total Sales 7,544,290 shares.

INDICES

NEW YORK — DOW JONES

	Feb 10	Feb 9	Feb 8	Feb 7	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Industrials	2286.07	2323.04	2343.21	2347.14	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.13	89.56	89.62	89.46	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1059.99	1068.89	1076.16	1087.97	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.23	188.00	190.14	190.85	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

φDay's High 2322.32 (2347.68) Low 2278.93 (2308.39)

STANDARD AND POOR'S	Feb 10	Feb 9	Feb 8	Feb 7	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	292.02	296.06	298.65	299.63	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	337.26	342.16	345.31	346.41	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.47	26.94	27.18	27.24	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	164.01	166.13	167.69	168.02	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	322.77	325.36	327.23	326.38	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	402.37	406.39	407.97	409.19	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48
	Feb 8	Feb 1	Jan 25	year ago (approx.)
S & P Industrial div. yield	3.05	3.05	3.12	3.09
S & P Indl. P/E ratio	13.85	13.79	13.40	16.29

TRADING ACTIVITY — † Volume (Millions)

	Feb 10	Feb 9	Feb 8
New York	173.560	224.220	189.420
Amex	11.180	11.520	12.637
OTC	132.731	146.680	152.729

NEW YORK	Feb 10	Feb 9	Feb 8
Issues Traded	1,967	1,953	1,961
Rises	300	504	732
Falls	1,221	996	729
Unchanged	446	453	500
New Highs	25	78	149
New Lows	14	9	7

CANADA

TORONTO	Feb 10	Feb 9	Feb 8	Feb 7	1988/89 High	1988/89 Low
Metals & Minerals	3431.3	3505.9	3551.9	3554.9	3554.9 (6/2/89)	2238.7 (8/2/88)
Composite	3594.7	3652.1	3696.1	3679.7	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1786.68	1819.19	1850.44	1842.23	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Pan Am	4,927,200	4⅛	+ ⅛	IBM	1,921,400	125	− 1⅞
Burlington	4,250,900	48	+ 1¼	Genentech	1,815,100	21½	+ 1¼
Gen Ill Ps	3,042,100	21⅞	− ⅛	Xerox	1,717,500	65	+ 1⅛
Lilco	2,568,700	12⅞	− 1⅛	AT&T	1,631,700	31⅛	− ⅛
Sw Pub Svc	2,083,700	26⅛	− ⅛	Ramada Inns	1,628,600	11	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 13	Feb. 10	Feb. 9	Feb. 8	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1478.8	1509.0	1513.6	1501.3	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	670.5	689.5	690.7	683.0	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	238.89	238.20	237.52	236.88	238.89 (13/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5825.26	5834.01	5913.71	5791.01	5834.01 (10/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	291.12	291.83	291.57	289.88	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	776.4	772.4	767.6	761.2	776.4 (13/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	(u)	454.1	(u)	456.4	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	105.0	106.7	(u)	107.5	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	562.49	566.84	567.33	569.27	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1680.2	1693.7	1695.8	1701.2	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1333.77	1353.22	1347.42	1359.88	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3153.73	3184.16	3209.96	(c)	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	577.67	579.08	579.97	583.49	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31985.32	32131.99	32078.43	32065.1	32131.99 (10/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2478.82	2485.71	2489.07	2490.07	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	304.4	308.3	310.1	310.7	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	267.0	270.8	271.4	272.7	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	534.04	547.28	549.07	547.33	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1139.70	1156.04	1156.39	1151.80	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1325.04	1371.0	1378.0	1359.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2211.04	2246.0	2246.0	2216.0	2246.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	277.42	279.26	279.56	279.59	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3629.8	3657.4	3635.4	3623.0	3657.4 (10/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	644.0	640.6	638.1	644.0 (10/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	514.1	516.6	516.6	516.6 (8/2/89)	401.0 (21/1/88)

§Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 13 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujita	83.2m	1,640	+70	Taisei	34.9m	1,520	+10
Asid Corp	68.2m	1,440	+118	Japan Steel Works	30.6m	850	+37
Sumitomo Realty	58.3m	2,190	+270	Nishimatsu	29.3m	1,470	−40
Kumagai	44.1m	1,800	+40	Teldem	26.4m	1,360	+30
Hazama	43.5m	1,860	+50	Odakyu Electric Railways	25.4m	1,720	+160

2pm prices February 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
32⅞	19¾	AAR	.44	1.6	18	576	27¼	25⅝	27	+1⅝
10⅝	8⅝	ACM n	1.01	11.		307	9	8⅞	9	
12⅜	10¼	ACMIn	1.26g	11.		523	11	10⅞	11	-⅛
10⅝	8½	ACM M n	1.01	11.		72	9⅛	9	9	-⅛
12⅝	10⅝	ACM Se	1.26	12.		402	10⅞	10¾	10¾	-⅛
10⅛	8½	ACMSp n	.75e	8.5		84	8⅞	8¾	8⅞	+⅛
5⅝	2⅝	AMCA	.12e	3.0		18	4	4	4	
6⅝	3⅝	AM Intl				504	6⅝	5½	6⅝	
23⅝	19⅝	AM Int pf	2	8.9		20	22⅝	22½	22½	-⅛
62¾	35¼	AMR			7	2536	58¾	57¾	58¼	-⅛
29¼	25	ANR pf	2.67	11.		2	25¼	25¾	25⅞	+⅛
24⅝	22½	ANR pf	2.12	9.1		1	23¼	23¼	23¼	-¼
6½	5	ARX				61	5⅞	5¾	5⅞	+⅛
48¾	35¾	ASA	3a	7.5		505	40⅝	39¾	40	-⅝
20¾	14¾	AVX	.24	1.4	9	247	17⅞	17⅝	17⅝	-⅛
52⅝	42⅞	AbtLab	1.20	2.4	15	1773	49¼	48⅝	49	+¼
20¾	15⅝	AccmWr g	1			58	17⅝	17¼	17⅝	
13⅞	7½	AcmeC	.40	3.7		19	10¾	10⅝	10¾	+½
9⅞	5⅞	AcmeE	.32b	5.1	22	11	6¼	6¼	6¼	
29½	18¾	Acuson			22	301	26¼	25½	25⅞	-⅝
17	14½	AdaEx	1.82e	12.		143	15	14⅞	15	+⅛
18⅞	7⅝	AMD			80	823	8⅞	8¾	8¾	-⅛
42½	28¾	AMD pf	3	9.3		4	32¼	32¼	32¼	+¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

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NYSE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
46⅞	39½	RepNY	1.28	2.9	9	272	44¾	44⅝	44⅝	− ⅛
24⅞	14½	Rxene	n.30e	1.5		282	20	19⅝	20	− ⅛
28¼	26	RayRey	.76	2.1	14	494	28⅛	27⅞	27⅞	− ⅛
62⅞	39½	ReyMtl	1	1.7	6	2384	57⅝	56⅝	57½	− ½
40⅞	29¼	RiteAid	.82	2.4	15	1290	34⅝	34¼	34¼	− ⅛
1	6-16	RvrOak				20	⅜	⅜	⅜	
16½	8⅝	Robtsn				181	11	10⅝	10⅞	+ ⅛
28⅞	21⅞	vjRobins			11	3	27½	27⅛	27¼	− ⅛
18¼	16⅝	RochG	1.60	8.5	8	67	17¾	17½	17⅝	− ⅛
57½	44¼	RochTl	2.84	5.0	15	220	57	56¼	56¾	− ⅛
15⅝	1⅝	Rckwy	.36	2.3	10	74	15⅝	15½	15½	
20⅛	10½	RckCty	1.84	9.5	15	134	19⅝	19¼	19¼	− ⅛
23½	17½	Rockwl	.72	3.3	1	2267	22⅛	21⅞	22	
9⅝	6½	RodRen	.14	2.0		2	7	7	7	
37½	29⅞	RoHaas	1.12	3.1	10	443	35⅞	35⅝	35⅞	− ⅛
34½	21⅞	Rohr			16	1249	33⅞	33⅛	33⅛	− ⅞
19⅝	8	RollnE	.08	.7	25	x905	12	11⅞	11⅞	+ ⅛
19¼	14¾	Rollins	.52	3.1	16	94	16⅞	16⅞	16⅞	− ⅛
48⅛	27⅞	Rorer	.80	2.0	21	635	40⅞	40½	40½	− ½
8⅝	4½	Rowan				1070	6⅛	6	6⅛	+ ⅛
62¼	52⅛	RoylD	e3.62e	6.2	7	2795	58⅞	57¾	58¼	
14	8¾	RoyInt	.20	1.5	18	439	13¼	12⅞	13⅛	+ ⅛
8⅞	7⅛	Royce	.51e	6.0		340	8⅝	8⅜	8½	− ⅛
28¼	21	Rubmd	.44	1.6	30	636	27	26⅞	27	+ ½
28⅛	17¼	RussBr	.40	2.0	9	88	20	19⅝	19⅝	− ⅛
18⅞	10⅞	RussTg	.60	4.5	21	1	13⅜	13⅜	13⅜	− ⅛
20	19⅞	Russell	.28	7.4	10	146	19⅞	19⅞	19⅞	+ ⅛
32½	22⅞	Ryder	.68	2.1	17	6196	27	26½	26⅞	+ ⅛
27¼	18¼	Rykoff s	.60	2.3	10	38	26¼	25⅞	25⅞	− ⅛
23½	13⅞	Ryland	.60	2.8	7	131	22	21⅞	21⅞	− ⅛
13½	8⅞	Rymer				34	10⅛	10	10⅛	
16	7¼	Rymer pf1.17		12.		25	9½	9⅜	9½	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3⅞	2	Zapata				864	3	2⅞	2⅞	− ⅛
27⅝	18⅛	Zayre	.40	1.6	178	677	25½	25⅛	25½	+ ⅛
30	15⅛	ZenithE				1097	19½	19	19½	+ ⅛
10⅞	8⅞	Zenin n	.69e	7.1		64	9⅝	9½	9⅝	− ⅛
5	1	vjZenLb				187	1⅞	1⅝	1⅞	
21⅝	16	ZenNtl	.80b	4.4	6	24	18⅛	18	18	− ½
12⅞	13	Zero	.44	2.8	15	109	16¼	15⅝	12⅞	− ⅛
29⅛	12	Zurnin	.68	2.4	18	48	28	27⅞	27⅞	− ⅛
11¼	9⅝	Zweig	1.08e	10.		418	10½	10⅜	10⅜	− ⅛
10⅛	9	Zweig7	n.24e	2.0		226	9⅛	9⅛	9⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices February 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProMed	.42		11	3½	3⅜	3½	+ ⅛
ProfCre		8	52	3⅞	3⅞	3⅞	
− R−R −							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices February 13

AMERICA

Dow hovers as investors await next economic data

Wall Street

AFTER the collapse at the end of last week of the euphoria which had reigned in the stock market since the start of the year, share prices drifted yesterday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average traded in negative territory throughout the morning session, recovering gradually from its opening lows. After an hour of trading, the Dow stood more than 10 points lower but had recouped some its losses by midsession. At 2pm, the Dow was quoted 0.54 points higher at 2,286.81 on fairly moderate volume of 89m shares.

On Thursday and Friday last week, the market's upward trend was decisively cracked. On those two sessions, the Dow fell a total of 57.14 points, giving a loss for the week - the first this year - of 45.18 points.

There were many reasons to start taking profits. The dollar started to weaken, at least on Thursday. US Treasury bonds were decidedly soft, the auctions less than enthusiastic and the yield curve inverted at the beginning of the week, although losses at the long end of the bond market on Thursday and Friday meant that the yield curve turned slightly upwards again. An inverted yield curve is typically a negative indicator for stocks as it has often in the past signalled a recession.

The market had also set great store on President George Bush's budget presentation which did not, however, inspire confidence.

The day after the speech, leading commercial banks raised their prime rates to 11 per cent from 10.5 per cent, a move which many had anticipated. Forecasts for another rise in short-term interest rates were further hardened by Friday's news of a 1 per cent jump in producer prices in January.

Trading in the equity market yesterday was cautious as dealers waited for a batch of key economic figures for January this week including retail sales, industrial production and capacity utilisation. Friday sees the release of the December trade balance.

Among featured individual stocks yesterday was Johnson & Johnson which added $1¾ to $90⅝ after the company declared a two for one stock split and a quarterly dividend of 29 cents on the post-split shares. This is equivalent to 58 cents a share before the split and compares with the 50 cents a share dividend the company has been paying.

Long Island Lighting gained $1⅝ to $14¼ in heavy trading after a Federal judge dismissed a fraud verdict against the company.

Emery Air Freight rose $1⅛ to $7⅞ after the company agreed to be taken over by Consolidated Freightways for $7.75 a share. Consolidated fell $2⅛ to $32.

Champion Products surged $12⅛ to $75⅞ on the American Stock Exchange after the company accepted a $77 a share offer from Sara Lee which outstripped a previous offer worth $61 a share from a group led by Walsh Greenwood.

Consolidated Rail fell $⅝ to $35⅛ following the unexpected death of its chairman and chief executive.

Canada

ENERGY issues managed to resist the general sell pattern, but Toronto share prices were still lower at midday with the composite index off 15.5 at 3,579.3.

Ipsco, which reported lower fourth quarter earnings from continuing operations, lost C$⅝ to C$20⅛. Canada Malting, announcing higher annual earnings, fell C$⅛ to C$22⅛.

ASIA PACIFIC

Nikkei knocked by news of LDP by-election loss

Tokyo

THE defeat of the ruling Liberal Democratic Party's (LDP) candidate in a by-election for a legislative seat cast a cloud over the equity market yesterday and set the mood for a downturn in prices, *writes Michiyo Nakamoto in Tokyo.*

Following news of the LDP setback and the 0.5 per cent increase in the prime lending rate by leading US banks on Friday, trading began on a weak note and the Nikkei average was down 179.91 at the opening. Interest in domestic demand-related stocks, particularly constructions, helped lift the Nikkei to a high of 32,126.54 towards midday but the rebound was short-lived and the Nikkei slipped back to close down 146.67 at 31,985.32.

The day's low was 31,952.08. Declines outnumbered advances by 649 to 135, and a further 135 issues were unchanged. Volume, at 1.39bn shares, was robust for a Monday and higher than the 1.37bn traded on Friday. The Topix index of all listed shares declined 6.89 to 2,478.82 and in London the ISE/Nikkei 50 index fell 3 to 1,980.89.

The LDP defeat, which was expected to lead to the postponement of budget deliberations scheduled to resume yesterday, increased pressure for the resignation of Prime Minister Takeshita's cabinet. The loss was taken as an indication of the damage suffered by the ruling party as a result of the Recruit Cosmos scandal, which has already led to the resignation of three Cabinet members and yesterday developed further with the arrest of four prominent businessmen.

Investors were concerned that the LDP would have to make some big concession to the opposition parties – probably dissolution of the Lower House – to win their support in passing the budget, said Mr Takashi Morita, manager of equity information at Sanyo Securities.

However, he felt that the relatively high turnover reflected continued interest in the market despite the negative news. The difficulty in recovering from yesterday's initial fall was largely due to a lack of buying interest rather than to substantial selling, he added. The decline also came after seven consecutive rises.

Buying focused on sectors that have supported the market recently, such as construction, non-life insurance and property. Fujita, which topped the actives list with 65.3m shares traded, seems to have snatched the leading position in the market from Sato Kogyo, rising Y70 to Y1,640.

Aoki Corp, which specialises in civil engineering, was second most active stock with 65.2m shares and gained Y110 to Y1,440.

Kumagai rose Y40 to Y1,500 and Hazama Y50 to Y1,660, both in heavy trading, reflecting the continued interest in construction issues. Sumitomo Realty, a property stock, was sought both as a laggard and for its better business results. It was third in the list of actives with 59.3m shares and rose Y270 to Y2,190. Mitsubishi Estate rose Y110 to Y2,870 and Mitsui Real Estate Y80 to Y3,050.

Among railway companies, Odakyu Electric Railways staged a strong Y160 advance to Y1,720 in heavy trading.

Consumption-related issues failed to keep the Osaka Stock Exchange average from falling 102.32 to 30,320.08. Volume declined from the 159.6m shares traded on Friday to 137.7m.

Roundup

THE 37-point fall on Wall Street last Friday left Asia Pacific markets weaker in nervous trading.

AUSTRALIA was badly hit by the US losses and stocks ended sharply lower in thin trading. The All Ordinaries index dropped 30.2 to 1,478.8, its biggest single day fall for three months, with lower bullion prices knocking gold stocks. Index arbitrage, whereby futures were bought and physical stock sold, put further pressure on the market. Turnover was 90m shares worth A$151m.

BHP led actives with a steep 24 cent fall to A$7 on 1.55m shares. Transporter TNT was also actively traded, losing 6 cents to A$3.48.

HONG KONG was also weak after domestic banks raised their prime rates by half a percentage point in line with increases in the US on Friday. The Hang Seng index dropped 30.43 to 3,153.73 and turnover eased to HK$1.91bn from HK$2.49bn on Friday.

Cheung Kong was the most active stock, falling 20 cents to HK$10.50 on 10.28m shares.

Bond Corp International rose 20 cents to HK$2.52½ after shareholders voted to reject a HK$2.20 buy-out offer from Mr Alan Bond.

SINGAPORE fell in profit-taking and the Straits Times industrial index shed 16.34 points to 1,139.70 in trading of 70.4m shares, down from Friday's 82m.

Foreign demand pushes Finland to the top

MARKETS: IN PERSPECTIVE

	% change in sterling †			
	1 Week	4 Weeks	1 Year	Start of '89
Austria	+1.40	+4.36	+13.57	+3.60
Belgium	+0.95	+2.28	+17.20	+3.22
Denmark	+1.00	+2.01	+36.44	+3.97
Finland	+7.85	+17.22	+30.98	+15.82
France	+0.12	+3.92	+46.59	+7.22
West Germany	+1.62	+1.04	+17.33	+1.15
Ireland	+1.04	+6.64	+28.17	+7.97
Italy	-0.19	-5.72	+21.85	-3.38
Netherlands	-0.47	+1.61	+14.43	+4.34
Norway	+1.29	+8.04	+55.06	+18.22
Spain	+0.36	-0.29	+9.70	+2.07
Sweden	+0.45	+5.42	+39.00	+8.30
Switzerland	+0.51	-0.93	-2.30	+1.09
UK	-0.40	+10.12	+19.75	+14.89
EUROPE	+0.15	+4.98	+20.48	+8.01
Australia	0.00	+2.74	+61.81	+8.39
Hong Kong	+1.82	+12.43	+50.92	+22.37
Japan	+1.33	+0.86	+31.51	+5.59
Malaysia	+1.12	+8.02	+44.85	+14.84
New Zealand	+2.05	+9.45	+11.04	+15.99
Singapore	+2.23	+6.95	+40.79	+18.39
Canada	-2.19	+3.15	+18.63	+9.97
USA	-2.05	+3.40	+12.46	+6.61
Mexico	+0.56	+1.78	+9.68	+4.34
South Africa	+4.40	+7.84	+6.41	+13.31
WORLD INDEX	-0.02	+2.68	+22.82	+7.31

†Based on February 3rd,1989
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FINLAND and South Africa made unlikely bedfellows last week as the world's two strongest stock markets, helped by a switch in international demand to the smaller exchanges.

Corporate, currency and commodity news rejuvenated interest in the two markets, while worries about inflation, interest rates and recent sharp share price rises elsewhere left leading markets little changed and in some cases, lower.

The FT-Actuaries World Index ended almost unchanged on the week in sterling terms, losing just 0.02 per cent, as small gains in Japan (+1.33 per cent) were countered by losses in the US (-2.05 per cent), the UK (-0.4 per cent) and Canada (-2.2 per cent).

Best performer Finland jumped by 7.85 per cent last week, responding to good news on the corporate front in the current reporting season. The continued inflow of funds from Sweden was also a plus, as institutions there exercised their new-found freedom to invest abroad, choosing Finnish stocks that are trading at a large discount to net asset value.

By Hilary de Boerr

The fact that leading Finnish shares such as KOP, UBF, Nokia and Pohjola have begun trading on Seaq International in London in the past month has also helped boost international volumes.

Finnish free shares have been benefiting from their relative cheapness compared with the restricted shares. The average premium of about 20 per cent at which the free shares tend to trade against the restricted shares was reduced to about 10 per cent towards the end of last year, and has now climbed back to about 13 per cent, according to Ms Alison Brady at Enskilda Securities.

That is underlined by the fact that the Unitas all share index, which tracks the performance of restricted and free shares, ended last week just 2.3 per cent higher. The FT-A Finland index tracks only the free shares, which are available to international investors.

In South Africa, the happy confluence of a weak financial rand, a stronger bullion price and the upward revision of corporate earnings forecasts led to a 4.4 per cent rise in share prices. Short covering of gold shares by foreigners late last week helped boost Johannesburg volumes to R100m ($41m), twice the level over the previous couple of weeks, according to Hoare Govett.

Hong Kong is still the best performing market since the start of the year, up 22.4 per cent on a property-led new year rally. Singapore follows with a climb of 18.4 per cent and Norway comes third, standing 18.2 per cent up on the year.

Italy is the only bourse to have lost ground this year, falling by 3.4 per cent, compared with a gain of 7.3 per cent for the World. Continuing rumours of a capital gains tax and worries about the political situation have fuelled selling by the mutual funds.

The embattled Swiss market was the second worst performer, with memories of the Nestlé débâcle continuing to restrict foreign interest.

EUROPE

Interest rate fears return to haunt trading

THE spectre of higher interest rates loomed over Europe yesterday, sending most bourses down in nervous trading, *writes Our Markets Staff.*

FRANKFURT fell heavily in thin volume as the round of prime rate increases in the US on Friday swiftly revived anxieties about further rises in domestic rates.

After January's increases in the Lombard and disconnt rates, another rise would not be so easily accepted by the market, analysts said, even though many German companies are casb-rich and not likely to be hard hit. So although there is already talk of a possible rise at this Thursday's Bundesbank council meeting, that does not necessarily mean a monetary tightening is fully discounted in prices.

Investors were reluctant to sell yesterday, having been caught out recently when they sold on interest rate fears, only to find the market rising strongly once the rise was out of the way. The big banks also played little part in the market, so turnover was a thin DM2.84bn.

The FAZ at midsession lost 4.35 to 562.49 and the DAX index closed 19.45, or 1.4 per cent, lower at 1,338.77.

Construction stock Holzmann, a strong climber last week, gained a further DM24.20 to DM659 against the trend. Much speculation has centred upon the possible sale of Holzmann's lucrative property holdings in Frankfurt, and yesterday there was a rumour suggesting Deutsche Bank might sell its stake in the company.

VW fell DM7.70, or 2.3 per cent, to DM330. The news magazine Der Spiegel reported that VW would cut 11,600 jobs from its 170,000-strong domestic workforce, but analysts said it was known that large job reductions were on the way, adding that cost-saving measures would normally be well-received by the market.

Daimler, which said 1988 profits should be only slightly below those of 1987, lost DM6.30 to DM661.70. Some analysts have been expecting a fall of 10-15 per cent.

PARIS was jittery as investors focused on negative news after running out of story ideas, and share prices ended about 2 per cent lower.

The lower opening on Wall Street, interest rate worries and the weekend television interview with President François Mitterrand all bruised sentiment. The CAC 40 index lost 39.21 to 1,650.94 and the OMF 50 index fell 9.39 to 463.69, with early screen-based trading interrupted by technical problems.

Mr Mitterrand attacked takeover fever and indicated he may take a more interventionist approach to economic policy, and privatised stocks were sold yesterday as a result.

The largest gains were in second liners as investors looked for stocks to buy after recent gains in blue chips. Locindus, the best performer, added FFr29, or 3.6 per cent, to FFr839, prompting one analyst to say: "When stocks like that perform it means people have run out of ideas. They really only move when people can't see good value elsewhere."

Recent favourites felt the pinch, and Metaleurop fell FFr15, or 3.8 per cent, to FFr155 while Avions Marcel Dassault lost FFr60 to FFr720.

Peugeot closed off FFr35 at FFr1,620 after rising earlier on a 26 per cent increase in new car registrations in France last month, and Compagnie Bancaire ended FFr12 lower at FFr548 after announcing its rights issue over the weekend.

AMSTERDAM fell steeply on interest rate worries, exacerbated when the Dutch central bank raised the rate on its nine-day special advances to commercial banks from 6.25 per cent to 6.30 per cent.

The CBS tendency index fell 2.3 to 162.3 after Wall Street opened lower, pursuing its losses of Friday.

Unilever lost Fl 1.40 to Fl 129.90 after declining to comment on a newspaper report that it was talking to Kohlberg Kravis Roberts about the acquisition of the RJR Nabisco biscuits business.

Newly floated DSM shed Fl 1.50 to Fl 118.10. The Fl 108 offer price for the 12m shares was payable yesterday.

MILAN ended slightly lower in very quiet trading, but prices rebounded after hours. The Comit index shed 1.41 to 577.67, with volume estimated to be below L100bn compared with Friday's L120bn.

One analyst summed up the mood by saying: "There's no panic to get out, and no great urgency to get in." He added that the start of the new account on Thursday could revive interest.

Generali rose strongly after hours, reaching L41,250 after closing L60 better at L40,900.

ZURICH ended above the day's lows as buyers picked up stock at lower levels, leaving the Crédit Suisse index off 1.2 at 542.7.

Renewed interest in chemicals failed to offset the cloud overhanging banks, although Ciba Geigy bearers firmed SFr20 to SFr3,130 and Ems-Chemie, which reported improved results on Friday, saw its bearers rise SFr50 to SFr4,450. Crédit Suisse bearers lost SFr20 to SFr2,660.

MADRID was knocked by concern over inflation and interest rates, with the general index losing 1.84 to 277.42. Banco Hispano, reporting a 13.6 per cent rise in operating profits, rose 11 points to 760 per cent of nominal market value.

HELSINKI chalked up another all-time high as good company news continued to fuel demand, with the Unitas all share index adding 4 to 776.4.

Higher profits from United Paper Mills boosted the stock FM3 to FM146 and sent analysts hurrying to increase forecasts for fellow forestry stocks. Kymmene, which reports its results today, was the most actively-traded free share, rising FM2.50 to FM143.

STOCKHOLM followed Wall Street lower – although selling pressure was limited amid optimism over corporate results – and the Affärsvärlden index gave up 4.2 to 1,072.5. Turnover was very light, at SKr168m in value after SKr377m on Friday.

Aga, due to report today, saw its free shares fall SKr2 to SKr260 after strong gains

SOUTH AFRICA

THE WEAKER bullion price hit gold shares, and Johannesburg ended broadly lower after last week's strong advance.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 10 1989					THURSDAY FEBRUARY 9 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	151.86	−0.3	128.36	113.73	4.71	152.27	128.63	114.14	157.12	91.16	93.11
Austria (18)	96.57	+0.9	81.62	92.47	2.66	95.74	80.88	92.47	100.00	83.72	84.35
Belgium (63)	135.22	+0.1	114.29	130.72	3.94	135.12	114.14	130.28	139.89	99.14	114.46
Canada (125)	133.69	−1.2	113.00	114.81	3.20	135.33	114.32	115.98	137.27	107.06	111.94
Denmark (39)	157.93	−0.1	133.49	155.46	1.89	158.03	133.50	155.39	161.60	111.42	114.82
Finland (26)	146.97	+1.3	124.23	132.57	1.32	145.02	122.51	130.68	146.97	106.78	111.32
France (130)	119.60	−0.3	101.09	118.85	2.73	119.98	101.36	119.09	119.98	72.77	80.93
West Germany (102)	86.26	+0.0	72.91	83.48	2.26	86.30	72.90	83.41	90.40	67.78	72.92
Hong Kong (45)	132.66	−0.8	112.13	132.82	3.58	133.77	113.00	133.91	133.77	84.90	87.20
Ireland (17)	137.95	−0.6	116.61	135.55	3.73	138.75	117.21	136.19	144.25	104.60	106.78
Italy (98)	79.44	−0.4	67.14	80.44	2.51	79.72	67.35	80.68	86.88	62.99	64.67
Japan (456)	196.06	+0.0	165.72	159.06	0.47	196.10	165.66	159.29	197.43	133.61	147.88
Malaysia (36)	159.52	+0.5	134.83	167.60	2.56	158.66	134.04	166.70	159.52	107.83	109.40
Mexico (13)	163.72	−0.8	138.39	414.94	1.23	165.00	139.39	418.35	182.24	90.07	148.11
Netherland (39)	113.72	−0.6	96.12	108.99	4.56	114.46	96.69	109.65	115.04	95.23	98.58
New Zealand (24)	76.02	+2.2	64.26	65.30	5.92	74.39	62.84	64.43	84.05	63.32	67.92
Norway (26)	159.25	−0.8	134.61	145.31	1.87	160.46	135.55	146.52	161.54	98.55	101.89
Singapore (26)	143.62	+0.5	121.39	127.60	2.09	142.97	120.78	126.89	143.62	97.99	101.20
South Africa (60)	128.38	+0.2	108.51	111.58	4.23	128.11	108.22	112.02	139.07	98.26	119.68
Spain (42)	146.85	−0.3	124.13	128.72	3.69	147.29	124.43	128.99	164.47	130.73	132.80
Sweden (35)	151.85	+0.8	128.35	142.13	2.17	150.69	127.30	141.04	151.85	96.92	108.37
Switzerland (57)	76.54	−0.3	64.69	75.06	2.26	76.79	64.87	75.17	86.75	74.13	77.70
United Kingdom (314)	150.73	−1.1	127.41	127.41	4.26	152.43	128.77	128.77	152.54	120.66	124.87
USA (568)	118.87	−1.4	100.48	118.87	3.62	120.53	101.82	120.53	121.90	99.19	105.14
Europe (1006)	120.00	−0.6	101.43	109.29	3.49	120.76	102.01	109.89	120.76	97.01	98.81
Nordic (126)	146.85	+0.4	124.13	134.66	1.95	146.25	123.55	134.06	146.85	98.11	105.28
Pacific Basin (676)	191.54	+0.0	161.90	155.84	0.68	191.61	161.87	156.08	192.26	130.81	143.39
Euro-Pacific (1682)	162.91	−0.2	137.70	137.34	1.52	163.26	137.92	137.71	163.26	120.36	125.58
North America (693)	119.67	−1.4	101.15	118.65	3.59	121.32	102.49	120.27	122.73	99.78	105.50
Europe Ex. UK (692)	101.05	−0.2	85.41	98.08	2.84	101.26	85.55	98.18	102.91	80.27	82.64
Pacific Ex. Japan (220)	137.34	−0.2	116.09	115.08	4.20	137.68	116.31	115.47	137.68	87.51	89.26
World Ex. US (1880)	161.55	−0.2	136.55	136.47	1.59	161.94	136.81	136.87	161.94	120.26	125.07
World Ex. UK (2134)	144.61	−0.5	122.24	130.85	1.98	145.38	122.81	131.60	145.38	111.77	116.61
World Ex. So. Af. (2388)	145.25	−0.6	122.77	130.65	2.18	146.10	123.42	131.46	146.10	113.26	117.32
World Ex. Japan (1992)	120.66	−1.0	101.99	115.51	3.59	121.92	102.99	116.68	122.34	100.00	102.70
The World Index (2448)	145.15	−0.6	122.68	130.52	2.19	145.99	123.33	131.33	145.99	113.37	117.33

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).
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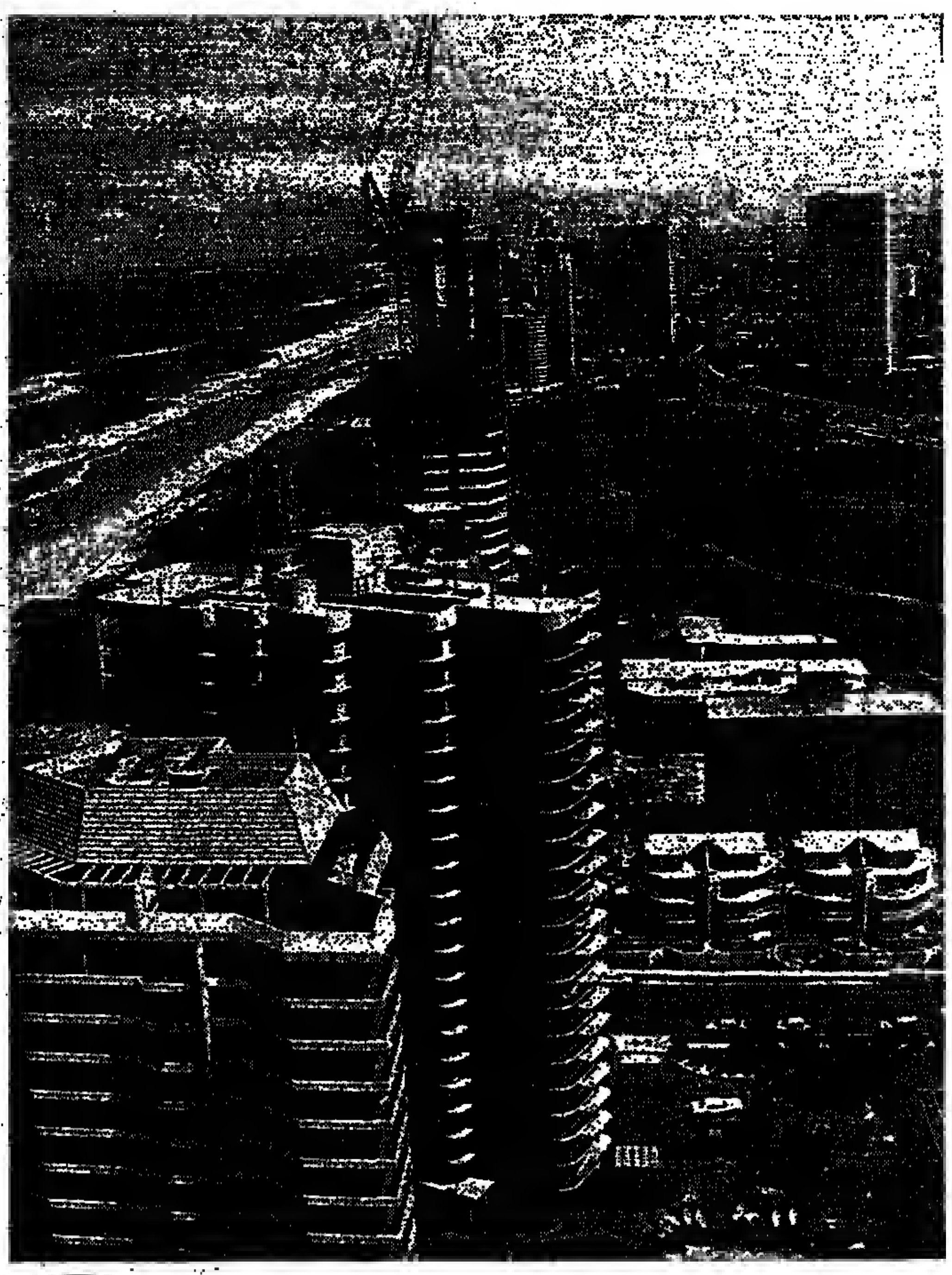
Latest prices were unavailable for this edition.
The Canadian and US indices have been recalculated to reflect closing prices.
CONSTITUENT CHANGE: Feb. 13: Berisford (S & W) has changed name to Berisford International (UK).

SECTION III

FINANCIAL TIMES SURVEY

Australia's sunshine state is the natural centre of the country's booming tourist industry. Queensland possesses, too, a seemingly inexhaustible supply of natural resources. The state's politics, however, are nothing if not controversial, writes Chris Sherwell

A state of buoyancy



Queensland

IN THE vast continent of sovereign mini-states they call Australia, brash New South Wales and haughty Victoria have a new challenger on their hands – the upstart Queensland.

Seven times the size of the UK but with a population of just 2.7m, Queensland is known as Australia's sunshine state. It cultivates an image of boisterous growth and political stability, of abundant wealth and good living.

Like magnets, its subtropical climate, diverse opportunities and irrepressible optimism are attracting migrants, investors and tourists in such numbers that Queensland has become the Down Under equivalent of the US Sunbelt.

For beauty the state is unbeatable. With the wondrous Barrier Reef, verdant tropical rain forests, magnificent coastal beaches and islands, the infinite Outback and brassy Gold Coast, it is the natural centre of the country's booming tourist industry.

Its resource wealth seems inexhaustible. Queensland is a major world exporter of beef and sugar, and of coal, base metals, copper and aluminium. Economically it contributes disproportionately to Australia's trade performance.

As for the state capital, Brisbane, it has blossomed into a bustling but casual metropolis of three-quarters of a million people, big enough to bid for the Olympics or to stage World Expo '88. Set on low hills either side of a bending river, it will one day overtake Melbourne as Australia's second city.

Against all this, Queensland's politics are nothing if not controversial. Its southern neighbours call it the Deep North, a backward and reactionary state dominated for more than 30 years by a coterie of autocratic rural interventionists called the National party.

In recent months the state has been rocked by a scandal of major proportions, involving corruption and abuse of power in its police force and up to the highest levels of government. It has poor relations with the federal government in Canberra, displays intolerance and racial bigotry, and suffers high youth unemployment and crime rates.

The current premier is 46-year-old Mr Mike Ahern, who starts a visit to London, Frankfurt and Zurich next week. When he ascended to the premiership just 14 months ago, he finally ended the maverick 19-year rule of Sir Joh Bjelke-Petersen, the man who, more than anyone, lies behind Queensland's idiosyncratic reputation.

It would be fanciful to suggest that, under Mr Ahern, Queensland has suddenly entered a new era. But Queenslanders themselves agree that the political climate has changed, that the period of forceful personality has ended.

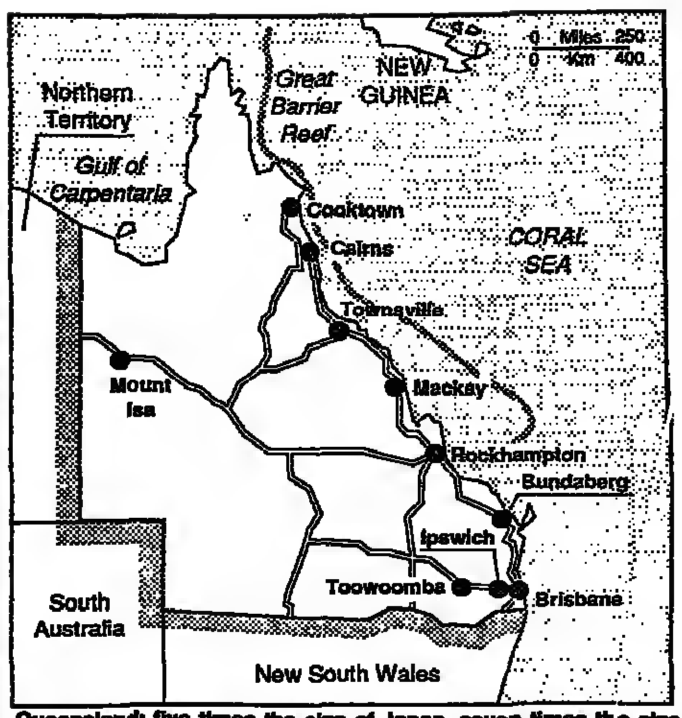
With an election due before the end of the year, perhaps in November, the only important question is whether the National party can hold on to power. It is more than a mere political matter. In Queensland, history is involved, for the state has an extraordinary tradition of one-party rule.

Before the Nationals (then known as the Country party) won office in 1957, the state was governed by a rural-based Labor party for all but three years from 1915. Back in 1899, Queensland became the first state in the world to elect a labour government.

That was 40 years after the colony came into existence and 75 years after its less-than-illustrious beginnings as a penal colony for convicts who committed crimes after transportation.

If Sir Joh's achievement was to preside over Queensland's belated transformation from a sleepy backwater into an agricultural, mining and tourist powerhouse, he was also a narrow-minded, God-fearing paternalist and pro-Queensland chauvinist who ran the state like a personal fiefdom.

He got things done, but in his own unorthodox way, and at great cost.



Queensland: five times the size of Japan, seven times the size of the UK with a population of just 2.7m. Left: the state's brassy Gold Coast

Sir Joh fell after the failure in 1987 of his "push for Canberra", an ill-conceived campaign to win power nationally, and some sensational exposures of widespread corruption, dramatically confirmed by the Fitzgerald commission of inquiry he was forced to appoint.

Mr Ahern is a different character. The only graduate in cabinet, he has a reputation for honesty, competence and relatively enlightened thinking – but also for dullness, vacillation and being a prisoner of his party.

On the economic front, he is, like Sir Joh, committed to growth, and unperturbed by the evident signs of a populist backlash over rapid tourist developments and a boom in foreign (especially Japanese) investment in real estate.

He wants Queensland to diversify its economic base. He sees opportunities in supplying education and medical services to Asia – through ventures like Mr Alan Bond's Bond University – and in such novel ideas as the proposed satellite-launching facility on Cape York.

Unlike Sir Joh, Mr Ahern argues Queensland should redress its historic shortage of manufacturing capability by attracting high-technology industries, and says it should attract the headquarters of a large domestic or foreign bank to Brisbane.

This may not be where the state's true advantage lies, but people in Brisbane feel acutely that the city suffers a "branch office" status. They say important investment decisions are made by outsiders too distant to appreciate the opportunities.

Being more dispersed than in most Australian states, Queenslanders are not only more parochial, they are also very conservative. This reinforces the cornerstone of the state's politics, its peculiar electoral system. Known locally as "the gerrymander", it was first introduced by Labor but now helps the National party by giving greater representation to rural voters.

As a result the National party rules in its own right, with 49 of the 89 seats in the single chamber of parliament. The Liberals, its former coalition partner until 1983, hold 10. The remaining 30 are in the hands of the opposition Labor party.

Down the years the Liberals and the Labor party have tended to suffer because of the lack in Queensland of an urban working-class or a long-established professional middle class. But, like the Nationals, both have acquired new, modern and more enlightened leaders over the past year.

For Mr Wayne Goss, the Labor leader, the main aim is to avoid a relapse into the factional infighting which has so drained his party of credibility. For Mr Angus Innes, the Liberal leader, it is to avoid being squeezed by the other two parties.

Their biggest problem, however, is the voting system, which makes it near-impossible to dislodge the Nationals unless a vast majority of the electorate agrees that it is at last time for a change.

According to recent opinion polls, the Nationals' popularity is running very low. For the Liberals this has raised the prospect of a return to coalition government after the election. A Labor victory is thought least likely.

The unanswered question concerns the impact of the Fitzgerald inquiry and its still-unpredictable aftermath. The Ahern government remains laden with Sir Joh's appointees, and Mr Ahern himself, despite the differences with Sir Joh which hobbled his political advancement, is unavoidably tarnished by his 20 years as a National party member of the state parliament and eight as a cabinet minister.

That said, he is publicly committed to "cleaning out the stables", and expects his specially-appointed prosecutor to bring many public figures to court.

But he has no plans to reform the electoral system, nor to go into coalition with the Liberal party. Because that makes him over-dependent on his own unreconstructed party, his opponents say that, for all his good intentions, there is no chance of any fundamental changes in Queensland without removing the Nationals, and reform of the electoral system.

The truth is the cycle may well have to pass through another phase before people learn for sure whether his premiership has brought a real break with the past. Queensland is certainly at a turning point, where decisions now will have major consequences later. But if a new maturity and self-confidence is emerging, Mr Ahern, or his successor, must still rise to tap it and turn it to the state's and country's advantage.

CONTENTS

Photography, left and page 4: David Dodwell

KEY FACTS

Area	1.73m sq km
Population	2.75m
Economic growth	GSP 3.9%
Mineral production	A$3.9bn
Agricultural prod	A$3.8bn
Exports	A$8.2bn

(exch rate 6.2.89 .. A$1 = £0.51)

Chris Sherwell looks at the political scene in the run-up to the next state election

Ruling party of 31 years faces challenge

IN QUEENSLAND, as in most democracies, it takes an election to determine the true gap between the rhetoric of leading political figures and the reality of their claimed support.

That is why leaders of the three main parties in Australia's most decentralised state are curreotly jostling noisily for position. Voters are due to go to the polls before the end of the year, probably in November, ann it is certain to be s tough cootest.

The biggest test faces the ruling National party, which somehow has to shake off a series of sensational revelations of corruptioo and cronyism at the highest levels of government and the police force, and put behind it the ignominious fall of Sir Joh Bjelke-Petersen, the party's most successful leader.

Under Sir Joh, the party won enough of the parliament's 89 seats in both 1983 and 1986 to ditch the Liberals as a coalition partner and rule the state in its own right. It has now been in government for 31 years on the trot.

The question facing Premier Mike Ahern, the man who effectively toppled Sir Joh, is this: how can he stamp a different identity on his leadership which minimises electoral damage to the National party, circumvents a revival of coalition with the Liberals and shuts out the opposition Labor party?

His answer is to present himself as the man who, in his own words, will "clean out the stables" and restore accountability in government, while promoting the state's economic growth through prudent budgeting and support for private enterprise.

This strategy will not be easy to pull off, and it is an open question whether his background is e help or hindrance. Now 46, he entered parliament in 1968, but his differences with Sir Joh meant he did not reach Cabinet until 1980. He was regarded as genuine, honest and relatively enlightened, and was regularly tipped as a future leader. Even now he is the only minister with a degree.

But if hopes were high when Mr Ahern became Premier, already many are disappointed by his performance. The main complaints focus on his lack of boldness and even indecision. Last month his much-vaunted reshuffle of a less than talented Cabinet laden with Sir Joh appointees ended up removing no one. Likewise it took a media campaign to produce the resignation from parliament of a disgraced former minister and force the by-election Mr Ahern was desperate to avoid.

Mr Ahern's reversal of position over the redevelopment of Brisbane's Expo '88 site was also seen as a sign of weakness, even though the original decision smacked of the old cronyism of the past. As for moves to permit the installation of public condom-vending machines, allow sex education in schools and halt "the world's tallest building" in Brisbane, these are seen as small beer.


Mr Ahern: tough test


Mr Innes: partnership?


Mr Goss: approval

Currently Mr Ahern is in the process of establishing a much-needed parliamentary public accounts committee and, controversially, a register of foreign land ownership. His "Quality Queensland" economic strategy has meanwhile made little obvious public impact, and few seem impressed by his rhetoric about a "vision of excellence".

One issue Mr Ahern refuses to address is the key issue of Queensland politics – reform of the notorious four-zone electoral system. This gives votes from outback and country zones three or four times the value of city and regional town votes. With the boundaries also said to be "gerrymandered", it is this system which has entrenched the rural-hased National party in power.

Part of Mr Ahern's problem is that he has to tread a careful line within his own party, where support remains strong for Sir Joh and for his brand of rule. Some of Mr Ahern's backbenchers, along with party activists and certain businessmen, are unhappy about the loss of special favours which went with easy access and quick decisions, and have actively sought to undermine him.

Opposition critics believe Mr Ahern's ascendancy can never make a fundamental difference to Queensland. To them, the fact that he was for so long a silent member of Sir Joh's party and government inevitably tarnishes his reputation. They say there is no sign that the pattern of rule the Nationals put in place, with its intimate connections and cronyish ways of doing things, can ever change unless the National party government itself goes.

Mr Ahern, unsurprisingly, rejects all this as the blathering of frustrated opposition parties. "My predecessor was here for 19 years," he says. "My opponents knew when he went that they should play it hard, because if I'm here a year, I'll be here for a decade."

He refuses to take responsibility for the past, and repeatedly stresses his determination to allow the Fitzgerald inquiry into corruption to complete its hearings. His appointment of a special prosecutor seems certain to take things further, with key public figures likely to be charged.

One major improvement under Mr Ahern is in the atmosphere of government departments and in the political climate generally. "The fear of oppression that prevailed before has gone," says one local analyst. Interference from the top is less of a worry, a senior official privately acknowledges.

The Nationals' performance in a series of by-elections last year nevertheless augurs badly for its chances of repeating its 1986 victory in the next state election. With opinion polls showing the Nationals lagging behind the Liberals, many believe neither conservative party can secure power save through revival of a coalition to exclude Labor.

Mr Ahern tends to dismiss the prospect of coalition, saying he is in politics for the long term and has a strategic plan for winning the election outright. But much depends on how non-National voters cast their second preferences. Coalition is bound to remain an option, even if some of Mr Ahern's closest colleagues are reluctant.

Mr Angus Innes, the Liberals' new leader, is also not talking

Continued on page 4

The Fitzgerald commission of inquiry

State rocked by major scandal

QUEENSLAND will never be the same again. When the "bagman" Jack Reginald Herbert told the Fitzgerald commission of inquiry into corruption that he had organised the distribution of graft money to the highest levels of the police force, the blissful ignorance of Queensland's sunshine worshippers was removed.

Mr Herbert, an Englishman, once worked for six months with the London police force and for more than a year with the Victorian police force before he joined the Queensland force in 1949.

Jack Herbert was not corrupt when, after the war, he came to Queensland and started working for the police licensing branch which had the responsibility for policing prostitution, illegal gambling and bookmaking.

In return for his full confession, Mr Herbert, now 64, has been granted an indemnity from prosecution by the state government of Premier Micheel Ahern.

He testified that corruption, or "the joke", was already operating in the licensing branch when he arrived in 1949. He was glad to laugh along, and through his organisational skills soon became the central figure in establishing systematic payments from organised crime in return for tip-offs and protection.

On 1 September last year Jack Herbert began his lengthy exposé of a network of corruption and influence which effectively subverted the democratic Westminster-based institutions of the State – the electoral system, parliament, the judiciary, executive government, the public service and the police force.

After 18 months of public inquiry and 20,000 pages of transcript, the Fitzgerald inquiry, said to be the most open and effective in Australia's history, has overturned 30 years of official denials and the findings of other inquiries and criminal trials and raised serious questions about the effectiveness of Australia's law enforcement agencies and criminal justice systems.

Since Herbert and others confessed, Australian historians have drawn parallels in attitudes between Queensland's corrupt, politically interventionist police force and the 1808 Rum Rebellion in which the colonial militia deposed Governor William Bligh. There was no proper civilian court system as a result and real authority rested with the New South Wales Corps.

According to contemporary historians, from the Rum Rebellion onwards Australians seemed to have accepted that their officials and their institutions were corruptible.

Herbert's evidence and that of his co-confessors, corrupt police up to the rank of assistant commissioner, pointed to the involvement of the commissioner of police in Queensland, Sir Terence Lewis.

Sir Terence's personal diaries, described by one lawyer as the greatest collection since Samuel Pepys', were seized by inquiry investigators. In one of his most controversial rulings, Queen's Counsel Tony Fitzgerald, commission chairman, publicly released the diaries.

They detail the involvement of the police commissioner in the exercise of political power through his close personal friendship with the former long-standing Premier of Queensland, Sir Joh Bjelke-Petersen. The diaries cover Sir Terence's involvement in the appointment of judges, the redistribution of Queensland's electoral boundaries and key appointments in the police force and the public service.

Jack Herbert directly accused Sir Terence of having received more than £200,000 cash as his share in a wide-ranging protection system from 1978 to 1987. Sir Terence, suspended without pay by the government, is waiting to see if he will be charged by a newly-appointed special prosecutor – he has already made it clear that he would fight any charges.

Following leads from the Lewis diaries and other witnesses the inquiry questioned Sir Joh himself and his former senior ministers Mr Russell Hinze and Mr Don Lane.

Mr Hinze, a former police and local government minister, denied impropriety when the inquiry produced details of his extensive family business interests in property development and quarrying – areas over which he had ministerial control. He denied impropriety when it was revealed that his family companies had received substantial loans, some unrepaid years later, from property developers who had coincidental dealings with his department.

Mr Lane, a former police officer and transport minister, admitted he had used his "unfettered discretion" as a minister of the Crown to take cash advances and other perquisites for personal use without declaring them to the Taxation Office. Publicly disgraced, Mr Lane refused to resign from Parliament until last month.

Sir Joh denied impropriety when the inquiry produced details of benefits to family companies derived from government decisions and windfall returns to his business enterprises.

Queensland is now awaiting Fitzgerald's findings and recommendations. He says he is looking at structural reform for Queensland to clean up not just the police force but to help change attitudes.

The Ahern government publicly has committed itself to implementing Fitzgerald's recommendations "lock, stock and barrel".

It remains to be seen if Fitzgerald tackles what is seen as fundamental to the Queensland system – the electoral gerrymander. But he is expected to recommend the establishment of a permanent anti-corruption commission, a three-person panel commission to run the police force.

Civil libertarians and public administration analysts are urging him to reform the police complaints tribunal and to recommend the introduction of freedom of information laws to make public servants accountable.

Also on his agenda, for consideration at least, are removal of the markets of organised crime and police corruption, the so-called victimless crimes of prostitution and gambling.

But by far the biggest change wrought by the Fitzgerald inquiry is the increase in public and media awareness about the modus operandi of the corruption networks.

Because Queensland corruption has grown up over 30 years of National Party rule, 1989 is expected to produce a political purge. But because of the gerrymander, it remains to be seen whether public outrage about official corruption will result in a watershed for Queensland politics ... a change of government.

Quentin Dempster

ECONOMY

Pressure for diversification

A PROMINENT Australian financial paper recently described Queensland as "an old fashioned economy – low-tech, high-volume, concentrated on the export of unprocessed raw materials that have a low value-added".

Inevitably it mooted that this ought to be a recipe for long-term economic decline. The conundrum, however, is that over decades Queensland has sustained one of the highest growth rates in Australia.

Set against this, however, is government debt of A$12bn – the highest of any Australian state – the lowest everage wage in the country, the highest levels of job creation and, at the same time, the highest unemployment rate. Queensland clearly has an economy that does not fit the economists' favourite stereotypes.

The first cautionary note must be that Queensland does not, in the strictest sense, have an autonomous economy: fiscal policy, for a start, is very firmly controlled from Canberra and state governments rely on Canberra for 45 per cent of their budgets.

Despite this, Queensland has a particular economic character. When Premier Mr Mike Ahern describes Queensland as "the enterprise state", this is not just rhetoric: state taxes, for example, are 16 per cent lower than in any other state.

Recognition of the favourable climate is seen in the number of corporate relocations to the state – 95 companies moved in 1987-88, investing A$300m in the process – and in the steady flow of migrants.

But, despite tax incentives, the fact is that the state relies almost entirely on mining, farming and, most recently, tourism, rather than manufacturing.

Ever since the discovery of gold at Gympie in 1867, Queensland's growth has been underpinned by its vast mineral wealth.

Out of exports totalling A$8.2bn in 1987-88, coal accounted for A$2.9bn, while non-ferrous metals accounted for a further A$981m.

It is also a major centre for pastoral farming and sugar cane production, with meat exports amounting to A$1.1bn last year, while sugar exports totalled A$681m.

The immense mineral wealth is at once a strength and a weakness. Over the last year a strong Australian currency, coupled with low world prices for coal, led to a slump in export earnings from A$3.25bn in 1986-87 to A$2.9bn last year.

The frailty of the coal market, however, was more than offset by record prices – and record export earnings – for copper, bauxite, lead and zinc. Strong earnings growth from wool, meat and sugar exports also contributed to an overall improvement of more than 5 per cent.

It can be argued, therefore, that even though a heavy reliance on raw material production is a weakness, the sheer diversity of Queensland's resources has provided it with foundations for stable economic growth.

The state government is no longer comforted by this point, however. "There is a risk," it noted in a recent report, "that today's upturn in the resource sectors and the upsurge of the Australian dollar, which most analysts view as short term phenomena, could reduce the pressures for change, leaving the Australian economy in the next decade even farther behind the rest of the world."

Tourism has emerged over the past decade to provide a third pillar to the local economy. This was given a particular boost by the 1988 Brisbane Expo, which brought 9.5m people into the state, and led to an estimated A$1bn in trade and investment.

While optimistic about the long-term growth prospects for tourism, officials know that the industry provides no panacea for ensuring economic well-being into the 21st century.

It may provide jobs, but these are low-skill and low-salary jobs that leave the state among the poorest in Australia in per capita income terms. Median household incomes in Queensland fell by 3.2 per cent over the five year period to 1986-87, according to the Australian Bureau of Statistics – from A$21,850 to A$21,140. This was 8 per cent below the national median income, having slipped from 7 per cent behind in 1981-82.

The thrust of government economic strategy over the coming decade is therefore aimed at capturing more value added for Queensland's economy – by encouraging the establishment of downstream processing industries linked with minerals and agricultural products, and by diversifying into new industries – particularly high-technology industries.

The formula is not original to Queensland. Indeed it is likely to be applicable to the entire Australian economy. And, as with the country at large, it is a formula that is easier to define than to apply.

Mr Robert Borbridge, Minister for Industrial Development and Small Business, focuses on three new sources of diversification:

- A A$115m gas pipeline from the Surat Basin to the coastal city of Gladstone which would be a source of cheap energy for an array of new industries using the state's natural resources.
- The "technology quadrangle" linking the state's existing three southern universities with the new Bond University, which would aim to stimulate the growth of high-tech industries. He notes that the University of Queensland has already been pinpointed by the federal government as Australia's first "key centre" for research into information technologies.
- The Cape York Space Port, linked with the North Queensland Enterprise Zone, which is intended to open up the north of the state. The Space Port proposal – to provide space launch facilities on a commercial basis – was dismissed initially as an eccentric whim of the state government, but more recently officials have begun to wonder whether the idea is not inspired. A decision on whether the project will go ahead is likely in the second half of this year.

The vision is an admirable one, and could even become reality. But the passage to a more diversified economy in which Queensland captures more of the added value based on its mineral wealth may be a long and difficult one.

Mining companies, when pressed on why they have failed to diversify downstream, commonly answer that a small home market, geographical isolation from export markets, labour instability and high input costs, have, in the past, made such diversification impracticable. The more blunt then go on to admit that they may have missed the boat: finding a processing niche today is likely to be extremely hard.

Even with the full backing of local industrialists, it is difficult to predict how much can be achieved by a state government without supportive policies coming from the federal government.

It seems that for now, however, fortune can be expected to smile on the state.

Tourism seems set to grow at an exponential rate, even after the once-for-all stimulus from Expo '88. It is in this sector that one sees the most obvious evidence of the "wild card" in the state's economic development – links with, and investment from Asia in general, and Japan in particular.

If government can keep at bay the more xenophobic alarums, and persuade Japanese investors to diversify into other sectors of the economy that are of more obvious benefit to its industry and its living standards, then this could provide a stimulus as strong as any other pin-pointed so far by officials. All that can be said with certainty is that there are immense changes ahead.

David Dodwell

"The smart money is moving to Queensland, Australia."

"The Asia/Pacific market is expanding vigorously, and nowhere is this better exemplified than in the State of Queensland. We hosted World Expo 88, one of the most successful international expositions this century, with over 18 million visitors – more than the entire population of Australia! Already over $1 billion in investment inquiry has been generated.

Expo as a partnership of State Government and private enterprise effort is typical of the Queensland approach to business. An approach that is responsible for the fastest growing economy in Australia – and one of the most dynamic in the region.

Australia's Fastest Growing Economy

Our population growth is almost double the national average and Queenslanders contribute far more than their fair share to the economic wealth of Australia. With 16.6% of the nation's population, we provide over 20% of total export earnings. Studies by major banking institutions and the National Institute of Economic and Industry Research show that Queensland consistently leads Australia in most areas of economic activity.

Both our labour force growth and job creation outstrip the nation as a whole.

Low Taxes, Low Costs

Queenslanders – and companies doing business in Queensland – enjoy a State tax advantage over one third less than the level of other States.

Queensland too is consistently lower than the Australian average for inflation.

Queensland also has a disproportionately low level of State-based industrial disputes with guarantee of essential services.

The place to do business

What really sets Queensland apart from the other Australian States is our approach to business.

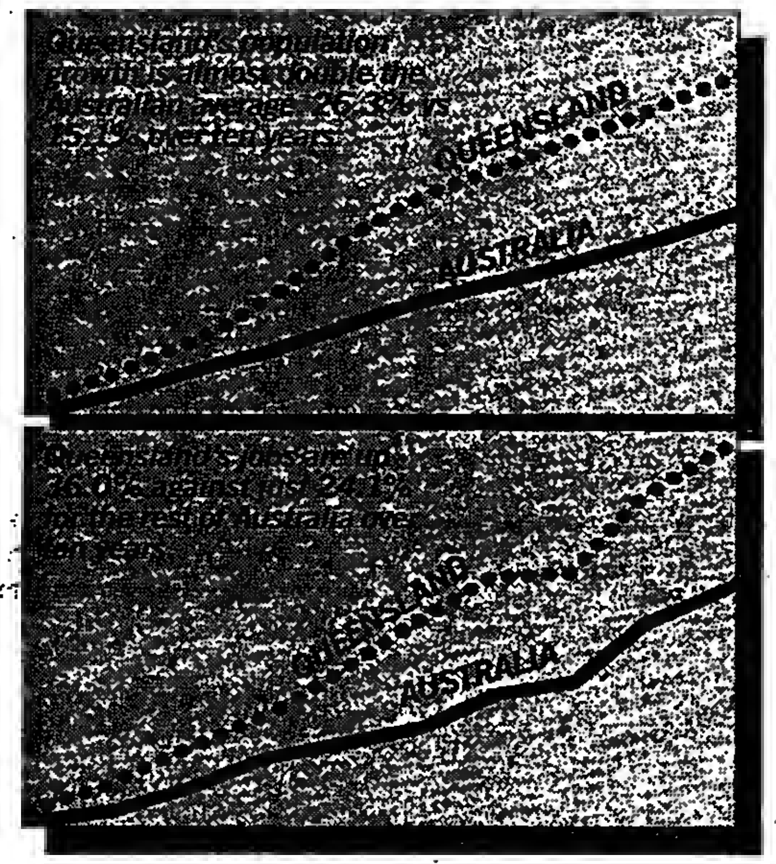
This is reflected by the scores of corporations moving and expanding in the Sunshine State – taking advantage of the Queensland Government's willingness to cut through the red tape and get on with business. In the last 12 months over 100 Australian corporations have announced their plans to relocate to Queensland.

Currently over $4 billion is committed to new retail and tourism projects alone.

And Queensland is continuing to lead the way with a unique joint State Government/private enterprise effort to build the world's first commercial aerospace centre in Far North Queensland, opening a plethora of new industry opportunities.

It's no wonder that Queensland's stability and progress is rated an enviable AA+ by Moodys of New York.

Queensland is going places fast, and I invite you to share in Queensland's unique future."



Source: Government Statisticians Office
Australian Bureau of Statistics.

The Honourable Mike Ahern, MLA
Premier and Treasurer of Queensland,
Minister for State Development

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QUEENSLAND
AUSTRALIA'S GROWTH STATE

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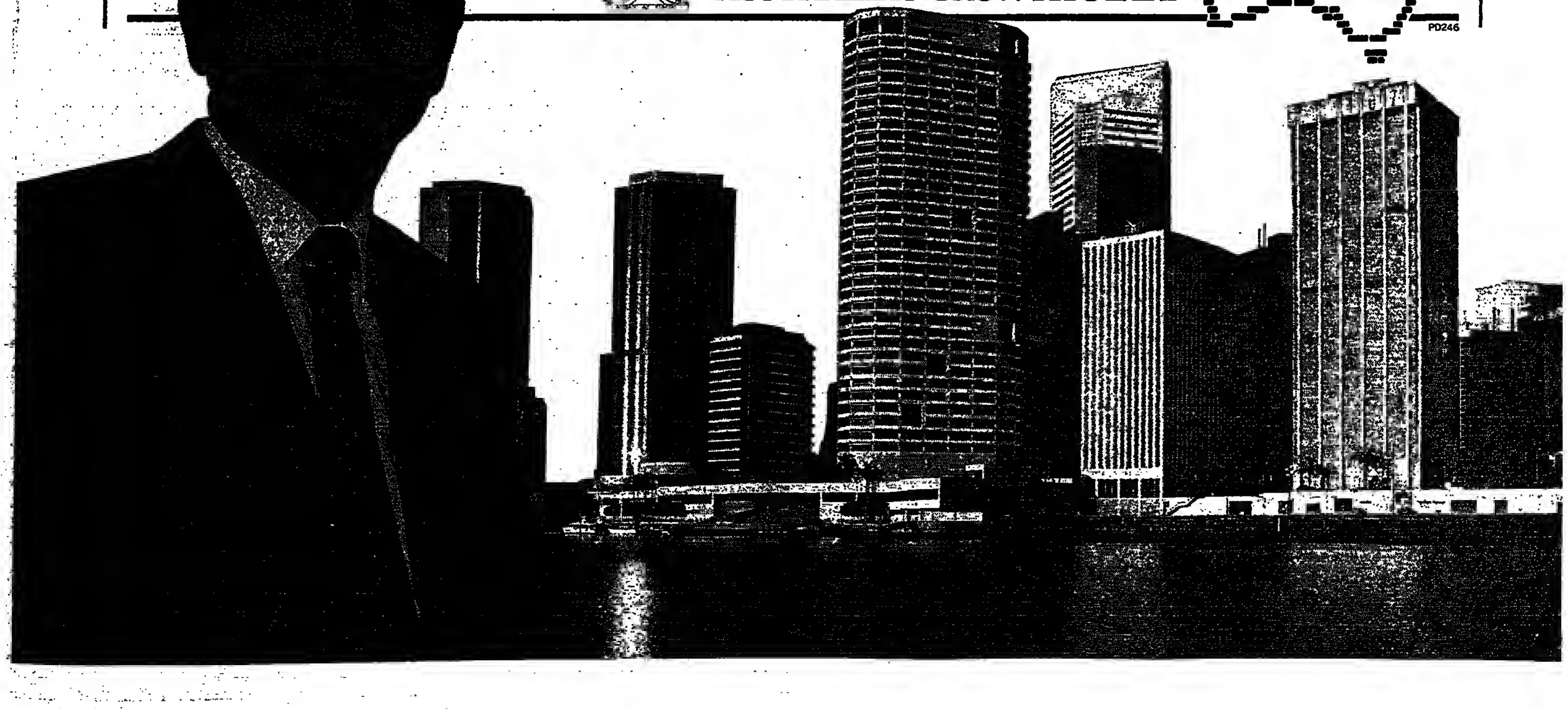


David Dodwell reports on the state's abundant natural resources

Profits 'pared to the bone'

QUEENSLAND'S mining industry is so important to both the state and the federal government that it faces the constant danger of being taken for granted.

The wealth of coal, lead, zinc, silver, bauxite and mineral sands is almost without parallel world-wide: resources like copper, gold, oil, gas and oil shale are plentiful enough to make most countries envious.

The awkward result is that many members of the general public regard mining franchises in the state as a licence to print money, while governments and politicians regard mining companies as cash cows to supply government coffers.

This has been tolerable during times of plenty, but as the industry emerges from a six-year period of deeply depressed commodity prices, most local mining groups would say that public perceptions are badly awry and that they have been milked dry.

Where world prices have not left companies with the leanest of profit margins, a combination of government royalties and freight charges amounting to A$670m last year, and a strong Australian currency, has pared profits to the bone.

A recent confidential submission by Queensland's Department of Mines to a US consultancy, commissioned by the state government to chart a strategy for economic development, warned that resource development will wither if government charges remain at current levels.

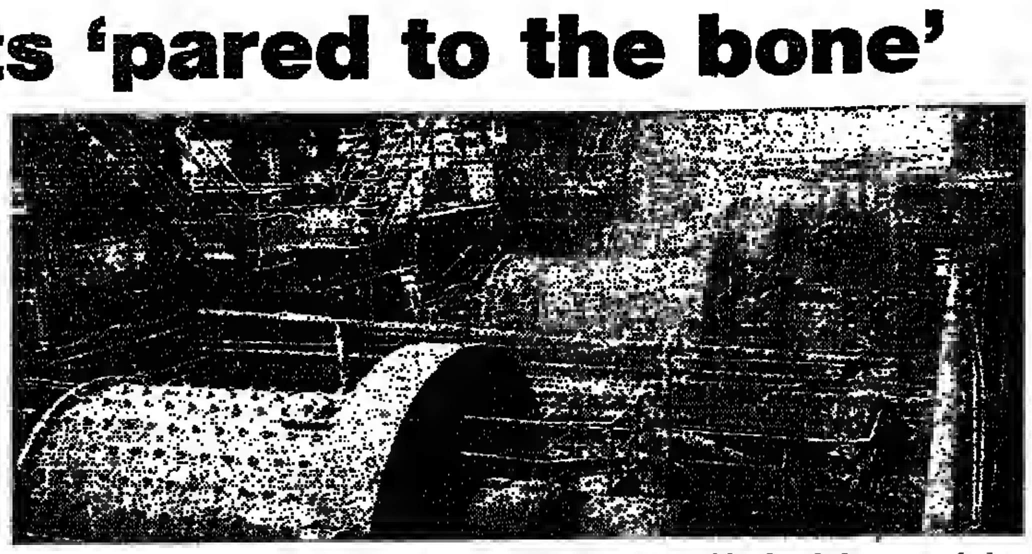
Mining first began in Queensland in the 1840s, with the discovery of coal. After gold was discovered at Gympie in 1867, a gold-rush began that simmered for decades. In that time, copper and tin were also discovered.

Today mining is, in revenue and export terms, the most important industry in the state, and a major producer world-wide.

In the financial year that ended last June, Queensland accounted for over 26 per cent of Australia's minerals production, and 20 per cent of its exports.

Coal, which earned A$2.9bn, and non-ferrous metals, which earned A$931m, accounted for just under half of the state's export earnings. This share would have been even greater had it not been for an 11 per cent slump in coal earnings.

The state boasts some of the richest coal reserves in the world, accounting for about 30 per cent of world trade in spite of last year's cut-back in production. Giant corporations like BHP Utah mined between them 66m tonnes of coking and steam coal in 1987/88.



The Mt Isa silver-lead-zinc mine is the world's largest supplier of lead and zinc concentrates

At Weipa, Queensland boasts the largest deposits of bauxite in the world. Over 1.4bn tonnes have been proven so far, amounting to about 200 years of supply, with further reserves possible of 1.72bn tonnes, and a deposit of 700m tonnes 30km south of Weipa at Aurukun. The Gladstone alumina refinery, which has a capacity of 7m tonnes, accounts for 24 per cent of world supply.

The Mt Isa silver-lead-zinc mine, which has been producing since 1931, is the world's largest supplier of lead and zinc concentrates. At the same time it produces more than 600,000 tonnes a year of copper concentrate, which feeds a 160,000-tonne a year refinery in Townsville. A modest supplier in global terms, this refinery is nevertheless expected to export copper worth A$430m during the current financial year which is of a quality surpassing most other sources in the world.

Gold was mined in small quantities until world prices surged in 1983. Since then annual production has risen from 2,350kg to 36,000kg in the year that ended last June – amounting to about 15 per cent of Australia's total production. The new Kidston mine, established at a cost of A$136m, is now Australia's largest gold mine.

While gold prices have slipped from their 1987 highs, one reason for the continuing surge has been an effort by miners to get gold out of the ground before a 39 per cent tax on gold mining profits is introduced in 1991. Officials who saw production valued at A$392m in 1987/88 nevertheless expect no early downturn.

While the state's mining companies have seen strong improvements in world commodity prices during the past 18 months, with many reaching historic high levels (the main exception is coal) they still show such extreme signs of caution that it may be some time before many commit new funds to capital investment.

Several mining executives in the state noted philosophically that commodity prices have always been fickle, and that a producer must always take the long view, but high levels of debt and uncertainty about price prospects beyond 1989 may mean it is some time before large sums are committed to new equipment or expanded capacity.

Today mining is, in revenue and export terms, the most important industry in the state, and a major producer world-wide

Mr Barry Sullivan, deputy general manager at Mt Isa Mines, nevertheless reflects a bolstered mood: "Even when you take the uncertainty of the base metals market into account, you have to see a very high degree of confidence in the future of our operation."

The group is using profits which were up by more than 70 per cent in the first half of the current financial year to pare debt and to lay the foundations for major new investments.

A new silver-lead-zinc mine is being opened up at Hilton, just 30km east of Mt Isa. At Mt Isa itself, a new copper deposit is being developed and should be in production by 1992, assuring supplies at current levels for a further 20 years.

A total of A$50m is being spent on an "Isasmelt" lead concentrator using new technology that the group hopes to export world-wide in spite of competition from Lurgi in West Germany, and from a Soviet concentrator being marketed by Snamprogetti of Italy.

Possible investments in gas-fuelled power, and an acid plant using sulphur dioxide that is currently pumped as waste gas into the atmosphere, add up to a A$500m investment programme over the coming five years.

After disastrous investments in coal and nickel in the early 1980s, the group is making no grand claims about future prospects, but the lessons of that time have probably been hard-learned.

Mt Isa's plans to replace coal with gas for fuelling its power plants are rooted in simmering resentment over what the industry sees as crippling freight charges for the transport of ore and coal to and from mine sites and coastal installations.

Coal and non-ferrous metal producers alike protest that government levies make it more expensive to freight produce to the coast than it does to freight that same produce from the dockside to destinations in Europe or Japan.

Government officials by now acknowledge that freight charges are crippling many raw material exporters, but are asking for time to find new sources of revenue to replace a proportion of these charges.

Mr Martin Tenni, Minister of Mines and Energy, noted recently: "We are trying to assist the industry, but how quickly do we deal with losing revenue amounting perhaps to a couple of hundred million dollars?"

The recent strength of the Australian currency has proved to be a more intractable problem. Since most commodities are priced in US dollar terms, recent price increases have, in many instances, passed Australian mining companies by, and have given competitors in countries where currencies are weaker a valuable competitive edge.

On this issue, Mr Tenni is blunter: "We can't continue to look at a discount dollar to create prosperity for Queensland."

Currency strength, nevertheless, underlines the need for the state's mining groups to develop downstream manufacturing operations that enable them to attach more value-added to their mined minerals before they are exported.

The state's mining companies blame a tradition of high labour costs, a small local market, distance from target markets, and comparatively high energy costs for their failure to develop beyond primary commodity production. At the same time, however, they admit that these arguments are no longer very convincing, and that the sector is the weaker for their failure over recent decades to diversify further into downstream processing.

A 39 per cent tax on gold mining profits is due to be introduced in 1991

Large groups like Mt Isa see limited opportunities for belated remedy inside Queensland – which is doubtless a disappointment to government officials keen to build up the manufacturing base of the state – but have instead opted to seek growth through acquisition overseas.

Mt Isa Mines thus now has substantial stakes in international groups like Asarco and Cominco in North America, and Rheinzinc in West Germany.

It is in this area that recent currency strength may provide opportunities to Queensland's mining groups.

One mining analyst, noting the recent strong recovery in corporate profits, and the psychologically important fact that the Australian dollar is now stronger than the Canadian dollar, commented: "Australian mining companies and their chequebooks are likely to be a major force in resource takeovers around the world in 1989."

If prices remain at current high levels throughout 1989, then such a forecast may be right. But after six years of mounting debt and battered confidence, the industry itself would say it is premature.

World's leading exporter

FOR Queensland, one of the most significant dates in modern history was the 1979 revolution in Iran and the world energy shortage which followed.

The state became a prime target for the search for new large-scale deposits of coal to replace oil in power stations. As the industrialised world began to climb out of recession, demand also hardened for Queensland's large reserves of coking coal to fuel the steelworks of Japan and steelmakers as far as Europe.

It now exports nearly 60m tonnes of coal a year which, with the 40m tonnes from the mines of New South Wales, make Australia the world's leading coal exporting nation.

The monuments to this prosperity are the brash new office blocks of the mining houses in central Brisbane, the state capital, and the new ports and railways on which the coal is dispatched to customers thousands of miles away.

But the biggest monuments are the mines themselves – such as the series of large opencast pits dug on a north-south axis along Queensland's Bowen Basin, the world's biggest reserve of metallurgical coal.

Where the coal is relatively near the surface they demonstrate the inherent advantage of stripping away the earth which overlies it rather than the more labour-intensive underground mining methods.

Some 64m tonnes of Queensland coal is produced by open cut, or open cast, methods, compared with less than 4m tonnes a year from underground mines. (In New South Wales underground mines still account for more than half the 70m tonnes but here, too, the proportion of opencast has risen steadily.)

However, this process appears to have reached saturation point, and as the shallower reserves are exhausted and the depth of overburden increases, mining houses are increasingly looking at deep-mines again.

There is particular interest in the traditional British method of longwall mining, where the use of the latest heavy duty equipment is increasingly matching the productivity of surface mining.

As in Britain, the incentive for improving the coal industry's efficiency is dictated by economic and political forces both abroad and at home.

Although at the top of the world export league, fluctuating energy prices and variable demand mean that Queensland and New South Wales must continually look over their shoulders at competitors in South Africa, Colombia and other third world producers.

Besides technical innovation that has led to calls for greater flexibility in manning practices and at the end of last year the Queensland and New South Wales workforces reluctantly agreed to reforms similar to those being debated in British mines.

The principal pressures on costs are the freight charges for use of the railways owned and operated by the Queensland government. Although many of the new lines and trains were built by the mineral companies when they opened up their new mines, the freight charges seem to be based less on a reflection of their actual running costs than an additional royalty on the profits from the coal.

Thus coal from BHP-Utah's Norwich Park opencast mine at the end of last year was being landed in Western Europe at a price of A$44.20 a tonne. Out of this BHP had to pay A$15 a tonne for the rail journey to the coast 180 miles away, compared with only A$14 a tonne for the 12,000 mile sea voyage to Europe; and the mine's production cost of A$15.20. This left the company only about A$7 profit.

As a result of these rail charges, some of the mining houses say they are paring back their investment plans and that the government is in danger of killing the goose which lays its golden eggs.

However, that day has not yet dawned. The rail contracts vary from company to company, reflecting differences in their negotiating ability and the scope for competition among them.

Maurice Samuelson

Challenge to be faced

Continued from page 2

publicly of coalition. But he thinks the rural-based Nationals have lost touch with a rapidly modernising Queensland electorate, and would share power because "they can't leave the honey pot". If he has to, he will take the Liberals into a partnership.

A growing number of opposition optimists are meanwhile thinking that the Labor party, now led by Mr Wayne Goss, can secure enough votes to win power in its own right. Opinion polls show it has 42 per cent of the primary vote, but because of the electoral system it needs closer to 50 per cent to win. The Nationals, on the other hand, can secure victory with around 39 per cent of the primary vote.

Interestingly, Mr Goss, a lawyer and one of Labor's modern breed of politicians, enjoys the highest approval rating of the three leaders, despite having taken up his position only last year. So far he has contained his party's traditional problem – debilitating internecine rivalries.

But both Labor and the Liberals lack the geographical spread of support enjoyed by the Nationals and which is so important in a state the size of Queensland. Their strength is in the south-east around Brisbane and the Gold Coast, but Queensland communities elsewhere remain remarkably isolated from the swirl of the capital's politics, and even more parochial.

The key question, therefore, is whether the National party's stalwarts among this disparate electorate will defect or remain loyal. The answer is that it would not be surprising to discover many voters were appalled by the Fitzgerald revelations, but are so mistrustful of politicians generally that the Nationals may not be unduly affected.

Mr Ahern seems to have no doubts. "People focus on leaders," he says. "Memories are short. They will vote for those who'll do best for them. And that's me and my party."

THE ENVIRONMENT

Trees set constitutional test

THE two-year debate over future use of Queensland's tropical rain forest ought to have ended in June last year when 900,000 hectares received World Heritage listing.

But, perhaps not surprisingly for a debate that has divided the community and set the state government on a collision course with Canberra, there are battles still to come and the outcome of the war remains to be seen.

Right and wrong would be hard enough to define if debate focused only on the present threat to the rain forest regions in North Queensland – particularly around the Daintree area north of Cairns. The extent of damage done to the forest in the past – due to logging, farming, tourism or mining – could be quantified, and proposals for future conservation could be weighed against various commercial demands.

What makes matters almost impossible to resolve is the fact that debate over environmental issues has taken a back seat to conflict over constitutional rights, the dividing line between state and federal authority, and whether international conventions emanating from the United Nations, in particular, can override the powers of Australia's own courts.

About the only thing the warring parties agree on is that the forest area around and to the north of Daintree is a unique part of Australia's natural heritage, accounting for 56 per cent of the country's rain forest. With the Great Barrier Reef close by, it makes northern Queensland one of the most unspoilt areas in Australia, and one that demands the most meticulous environmental protection.

Beyond that, everyone is at loggerheads. The Queensland government, which is responsible for management of the rain forest areas, whether they are National Park or crown land, insists that it is a model of good management.

Timber companies insist they have the most sophisticated husbandry practices in the world. Mr Trevor Rankine, who heads the areas largest timber company, argues: "What interest do we have in damaging the forest? We would be cutting down wealth to create poverty."

It is hardly a major industry in state terms, employing about 900 people directly, and accounting for annual production worth about A$30m – compared with timber imports last year valued at A$30m.

Conservationists, on the other hand, note damage done to the environment by industrial and forestry development in many countries world-wide, and are adamant that they must act now to protect Australia's natural heritage before it is too late.

They portray former state premier Sir Joh Bjelke-Petersen as a friend and ally of developers, willing to ride roughshod over environmental concerns whenever commercial interests were at stake.

The Federal government, fresh from victory over Tasmania's state government over its plans to build the Tasman dam, has been keen to reiterate that where a state government is unwilling to act firmly enough to protect the environment, then it is willing to use the overriding foreign affairs power to protect the national good.

The legal focus now will be on constitutional and state rights. These issues are so intractable that the forests in question could grow old before matters are resolved

The Tasman dam case would astonish constitutional lawyers in most countries. In effect, having won World Heritage listing for the forest region concerned, the Federal government insisted that neither state governments, nor Australian courts, had power to override international obligations defined under United Nations statutes.

Mr Geoff Muntz, Queensland's embattled environment minister, protests: "Whatever the rights and wrongs of a particular case, why should a committee in Paris or Brazil decide for us the fate of our forests and our future. The decision should be made in Australia, by Australians, for Australians."

His position has been endorsed by Britain's Department of the Environment, which responded to a query on the issue in June last year by noting that Heritage listing was in the UK sought to gain international recognition rather than to obtain added protection: "If a site is threatened, or there is resistence to its being nominated, we would not put it forward for consideration."

Inside Queensland's small but locally-important timber industry, there is no question about the essential issues: "This is nothing to do with conservation," says Mr Rankine, who dubs Federal Environment Minister Graham Richardson "a born-again greenie". "It's simply a matter of winning votes in Sydney and Melbourne," he says.

"There is no rain forest in the world more carefully or professionally managed than here."

Objectively, his case is well made. Clear felling is not allowed in the area. Between 8-12 trees are felled per hectare about every 40 years. Trees to be felled are marked by government forestry officers. Heavy fines are levied if any other trees are damaged. Logging roads are drawn up by the same forestry officers, and felling around water courses is banned.

After 200 years of white settlement, 80 per cent of North Queensland's rain forest area remains intact – and the 20 per cent lost has been cleared by farmers rather than foresters.

There is additional irony from the loggers' point of view that the 900,000 hectare area defined for World Heritage listing includes areas that have never been forest, and about 146,000 hectares that have already been logged once.

"If any other state government had been faced by the issue, they would have won it," says Mr Michael Pinnock, executive director of Queensland's Chamber of Mines. "But the Queensland government's credibility gap is unbreachable. They had a very strong case, and made it well, but the public just wouldn't buy the idea of an environmentally sensitive government."

With the government of Mr Mike Ahern just a year old, no one in Queensland's conservation lobby is yet willing to accept that the National Party has changed its spots: "It's a government with a history of backing development proposals at the expense of the environment," says Mr Adrian Jeffries, who heads the Queensland Conservation Council.

To those concerned about environmental issues in Queensland, rain forest protection is only the most widely publicised of a number of areas where they are concerned about government action.

Greatest fears are focused on tourism development, with 150 development proposals currently being considered by the government, many of them abutting established National Parks.

While the mining industry as a whole is no longer seen as a great threat, frequent proposals to develop mineral sand mining on the numerous sand islands stringing the Queensland coast are being fiercely opposed.

There is also concern about the frailty of the coral ecosystems along the Great Barrier Reef. While access to the reef is now carefully regulated, many feel that constant vigilance is needed.

The local vigilance of the conservation lobby may be an irritant to Queensland's Nationalist government, but when one notes the damage done elsewhere in the world to forests, coral reefs, and idyllic palm-fringed beaches, it cannot be condemned.

Where the lobby may well have erred is in resorting to UN legislation to achieve its ends. The Federal government's espousal of their cause must ultimately be seen as cynical – which means they will be readily abandoned when a Federal government sees more votes in supporting different or conflicting causes.

But the UN's statutes embrace a large number of principles and causes that no Australian would wish to see imported. Having undermined the authority of the country's courts to rule on such matters, and by eroding the authority of a state government to counter-balance powers focused on Canberra, they may have opened a Pandora's box that contains more worrisome imperatives than World Heritage listings.

Despite the Federal government's application of the Paris listing last June, legal challenges to the correctness of the World Heritage boundary, and to the authority of scientific evidence calling for a total ban on forestry, have yet to be resolved in Australia's High Court.

If the conservation lobby aimed to secure greater sensitivity on environmental issues, then victory is no longer in doubt. Legal focus now will be on constitutional and state rights – issues so intractable that forests could grow old before matters are resolved.

David Dodwell

PROPERTY

Flamboyant and volatile market

QUEENSLAND'S special chemistry has made its property market one of the most fascinating – and certainly the most volatile and flamboyant – in all Australia.

The free-wheeling, deal-doing government under former premier Sir Joh Bjelke-Petersen for 20 years made the state a developers' paradise. But, in addition, Queensland has become a primary target for holiday and retirement homes, and has attracted extensive resort development exploiting its multitude of natural wonders.

Extra impetus has come in recent years first from New Zealand investors and, most recently, the Japanese. For those who had not yet discovered the state, last year's Expo in Brisbane drew 9.5m visitors – most of them Australian – and a surge of fresh residential investment.

"Brisbane is a city that has in the past five years come of age," comments Mr Terry Ryder of the real estate group, Richard Ellis.

It has taken just that long for the commercial centre of Brisbane to be transformed from a sleepy, low-rise, colonial-style city to a labyrinth of shimmering metallic curtain-walling.

Between 1984 and 1988, an average of 100,000 sq metres of commercial space has come on to the market with major new complexes like Riverside and Central Plaza.

This compares with an historic average supply of just under 60,000sq m a year, and an uptake of 58,000sq m.

The result – perhaps not surprisingly in spite of the stimulus that has come from Expo, and a rapid growth of financial and professional services in the city – is vacancy levels topping 9 per cent.

The mood is not one of gloom, however, since the only major new development expected to open before 1992 is Waterfront Place. Real estate analysts insist that vacancy rates will by then "be among the lowest in Australia".

Much has been made of the fact that the Central Plaza One – a tower that was completed just seven months ago – is now 47 per cent occupied, while the as-yet incomplete Central Plaza Two is 20 per cent pre-let long before it is ready to take tenants.

Analysts also note that rents of A$450 per sq m have been set in Central Plaza – which is well behind Sydney, but moving into new territory for Queensland.

While the real estate industry is never one to understate its prospects, there is reason to believe their predictions of continued buoyancy after consolidation this year may not be unjustified.

The emergence of Brisbane as a commercial centre of substance is coming to be acknowledged country-wide. Most local accountancy and legal practices have expanded rapidly over the past four years, with many Sydney and Melbourne practices establishing a local presence. Predictions are a little more achievable because of the abandonment of a number of the more speculative and far-fetched projects to attract recent media attention. Most obvious is the plan to build in Brisbane the world's tallest building – planned to be 107 storeys high.

The absurdity of erecting a building fully two-and-a-half times higher than the tallest current building mercifully became clear to government officials before it was too late

The absurdity of erecting a building fully two-and-a-half times higher than the tallest current building mercifully became clear to government officials before it was too late. In future, nothing will be allowed taller than 65 storeys.

Another plan to be buried was that to develop the 1988 Expo site into a high-rise, high-density commercial and residential complex. More modest plans are now under consideration.

Outside Brisbane, the magnet for property development and speculation remains the Gold Coast. This coral-sand strip just south of Brisbane may be sedate by comparison to Waikiki or Las Vegas, but to Australians it is as brash and racy as the country comes.

Almost all development in recent years has been tourism-related, with Japanese investors playing such a major role that they have fuelled considerable xenophobic controversy in the recent past.

Since 1986 Japanese developers have committed themselves to projects worth almost A$5.5bn, according to Richard Ellis in a recent survey. They account for the lion's share of building approvals in Queensland in 1988 worth A$5.1bn – which was a 54 per cent increase on 1987, and over 20 per cent of the building approvals in all Australia.

Of 40 Japanese-backed projects – with just half of them off the drawing board – 22 are on the Gold Coast, and 28 are either resort or hotel developments, or tourism-related.

The dominant role of the Japanese has little to do with the predatory aims of Japanese developers, according to Mr Max Christmas, who heads the Gold Coast real estate company of the same name: "Local interest rates are too high for local people to invest."

The plethora of hotels on the Gold Coast have reported a bonanza year in 1988, with occupancy rates averaging 85 per cent. The half-dozen new hotels expected to open during the next 18 months can expect to be born into leaner times, however. Hoteliers report that during the past two months, occupancy rates have slumped below 50 per cent, and it is open to question how quickly the tourism industry can grow to match the growing supply of hotel rooms.

Many hope that Expo will have provided a once-for-all lift to tourism. They also point to the large and increasing number of direct flights now coming into Brisbane, Cairns and Townsville from Japan, Singapore, and even the west coast of the US, as a foundation for fast growth in foreign tourism.

The most sober-minded source of stability in what has been a frothy and speculative property market on the Gold Coast must nevertheless be Bond University, which is due to open its doors to an initial intake of 400 students in May.

By 1992, this private university is expected to have between 2,500 and 4,000 students, with 40 per cent of these from overseas.

The net result is likely to be a large and stable population of academics and professionals seeking homes, and needing a variety of commercial services.

Meanwhile, the most speculative property development is moving further north along the Queensland coast – to the Sunshine Coast, the Whitsunday Islands, and the North Queensland area around Cairns and Port Douglas.

"With the beaches and the barrier reef, everyone with a block of dirt fancies he has a resort on his hands," commented one seasoned property analyst. The government has in hand at present proposals for development worth more than A$25bn.

The Ahern government, wedded to the idea of boosting tourism in the state, is greatly excited by this development potential, but powerful local environmental lobbies, and small coastal communities have voiced concern.

The "yuppification" of the region is amply illustrated by current plans for 41 marina developments, many of them in the Whitsunday Islands area, which, if all completed, would provide berthing for 12,000 yachts.

Even the most traditional Queensland native is today more or less reconciled to the yuppy or Japanese "takeover" of the Gold Coast, but the same cannot be said for other, still-unspoilt stretches of the Queensland coastline.

The pattern of future development is likely to be determined less by the current debate than by the fate of plans to develop the North Queensland Enterprise Zone, and the Cape York space project, in the state's far north. The "opening up of the north" is likely to emerge soon as a major theme for political debate, and the property developers are likely to move quickly in the wake of any firm decisions.

Meanwhile, with Australia's economy expected to grow at more than 3 per cent a year between now and 1992, and with inward migration continuing strongly into the "sunshine state", the better-established property markets of Queensland's south-east corner are likely to remain magnets for investment. Consolidation may be the buzz-word for 1989, but the adrenalin that has long been associated with the area is unlikely to leave prices on a plateau for too long.

David Dodwell

Ahead of plan.

CHRISTOPHER C. SKASE

Chairman Qintex Australia Limited

January 1989

REVENUES

Group revenues in fiscal 1988 totalled $577 million and management is forecasting an increase to $750 million in fiscal 1989.

At the conclusion of the first quarter, we are ahead of plan to achieve this objective, with the outlook for very strong trading in the January quarter.

Domestic advertising demand remains strong, which is underwriting the performance of Media & Entertainment – Australia.

In the United States, the Media & Entertainment division posted its maiden profit during this quarter.

Resorts & Leisure – Australia has experienced strong demand in hotel bookings, condominium sales remain strong, marina berths sales are ahead of budget, and both retail centres are trading well with near full occupancies.

In the United States of America, refurbishment of the existing Princeville Resort in Hawaii and the acceleration of real estate sales will commence early in 1989.

EARNINGS

Earnings before interest, tax and depreciation, totalled $112 million in fiscal 1988, and we are forecasting a substantial increase of over 65 per cent in fiscal 1989.

After the first quarter's trading, and with the outlook for the January quarter, we are confident of achieving this substantial increase.

Net profit after tax and minorities in fiscal 1988 was $28 million. In fiscal 1989, management is forecasting a net profit of $42 million. At this stage we are ahead of plan, and in the absence of unforeseen circumstances, the group may exceed this target.

MEDIA AND ENTERTAINMENT

The Australian Television Network finished 1988 in second position nationally, in both prime time and overall (after exclusion of the Olympic Games), and the network is poised to improve its position in fiscal 1989.

The outstanding line-up of summer sport is reflected in unprecedented advertising demand in the period November to February.

In the United States, the merger of Hal Roach Studios and Robert Halmi Inc. to form Qintex Entertainment Inc. has created a company which can potentially treble its revenues in fiscal 1989 to more than $100 million.

This company is concentrating on the production of television programmes and is expanding its presence in the United States and world television markets.

RESORTS & LEISURE

Mirage Resorts in Australia have been an unqualified success – both in terms of consumer demand and financial performance. The hotels at the Gold Coast and Port Douglas, boast high room rates and occupancies, and a lengthening average guest stay.

Consequently they have a relatively low financial breakeven point.

Both have been in strong demand, and both are trading ahead of budget.

Condominium sales have exceeded budget, and all associated facilities being retailing, sports, entertainment and marina, have been trading up to or in excess of expectations.

With the proposed expansion of Cairns and Brisbane airports, and the increase in overseas flights to both destinations, the outlook remains most positive.

In the United States, the company has successfully concluded the tender offer for Princeville Corporation, and at the conclusion of the offer, was entitled to approximately 93 per cent of the stock.

Planning has been completed for the refurbishment of the existing hotel, shopping centre and other facilities. A major expansion of the resort with additional retailing, sporting facilities, and a major residential development will also commence this year, which will elevate the financial contribution of Princeville to the group.

ASSETS

Net asset backing in the audited accounts was $3.16 per share.

This is on the basis of all real estate recorded at historical cost.

Following the discounted payout of the debt to John Fairfax, the group has completed its financial obligations in the purchase of The Australian Television Network, having acquired the network at a substantially lower cost than either of the rival television networks.

COMPRESSION

The compression of the group structure was a major project for 1988.

To this end management achieved absolute or effective elimination of minorities in Universal Telecasters Limited, Qintex America Limited, Mirage Resorts Trust and Princeville Corporation.

This has already produced savings in administration costs and time, and the full benefits of the corporate compression will be reflected in results in fiscal 1990.

DIVESTMENTS

In 1988 the group was successful in completing the primary phase of the divestments of non-core businesses and assets in excess of $350 million.

This is expected to be concluded in fiscal 1989, generating a further $200 million in proceeds.

The divestment of peripheral assets has also enabled management to focus on core operating businesses.

The group is now approaching its objective of having effectively 100 per cent of total funds employed in operating businesses.

INTEREST COVER

Interest cover in the year to July 1988 increased from 1.40 to 1.55 and it is the objective to further increase this to 2.0. We are on course to achieve this objective.

GEARING

Net effective debt as a percentage of total assets fell from 46 per cent to 28 per cent in the year ended July 1988.

This was achieved notwithstanding an increase in group gross assets from $1.0 billion to $2.4 billion during the year. This was a most satisfactory achievement and is a reflection of management's consciousness of striking an appropriate balance between equity and debt at all times.

DIVIDENDS

Ordinary dividends increased from 12.5 cents a share to 15 cents in the year to July 1988, and commensurate with the forecast increase in profit, a further increase in ordinary dividends is forecast in fiscal 1989.

QINTEX

Creating New Horizons.

Tourism is a major driving force in the economy

Development must be handled sensitively

EXTRAORDINARY as it may seem, Queensland did not really have an international tourism industry 10 years ago. Mums and Dads ran simple motels and caravan parks as small businesses in a kind of cottage industry. As recently as five years ago, there was no five-star hotel.

Now tourism has become a major driving force in the state's economy, contributing at least 7 per cent of its gross state product, generating fistfuls of development dollars, employing increasing numbers of people and bringing in foreign exchange earnings.

According to the Queensland Tourism and Travel Corporation, the number of overseas visitors soared to 715,000 in 1987 from 240,000 in 1979, and rose still further last year, thanks to Australia's bicentennial and the World Expo in Brisbane.

With visitors from other Australian states and from within Queensland, the overall total in 1987 was put as high as 12m. On the different measure of "visitor nights", 1988 is even better: the first three quarters hit 28m, against 23m in the same period of 1987.

Although such figures need to be treated cautiously, it is not difficult to see why people come to Queensland. Australia's "Sunshine State" offers both a wonderful climate and some of the most exciting and attractive tourist destinations in the world: the magical Great Barrier Reef, the lush Daintree rain forests of the wet tropics in the north, the peaceful Whitsunday Islands, the charming Sunshine Coast north of Brisbane and the brassy Gold Coast in the state's south-east corner.

Without doubt, the most seductive of these lies north of the Daintree River around Cape Tribulation, where the reef literally meets the rain forest. But most people prefer, sensibly, to visit each of these remarkable wonders separately.

To experience the rain forest – now protected through a World Heritage listing – take a stroll around Mossman Gorge, in a corner of the Daintree national park. Shafts of sunlight reveal a myriad varieties of leafy trees, twisting creepers and exotic ferns in one of the last remaining areas of its type.

Then go for a boat ride along a creek off the Daintree River. See the spreading mangroves which are the key to an elaborate food chain, and count yourself lucky if you meet an estuarine crocodile.

The 2,000km reef, created over centuries through the miraculous industry of the tiny coral polyp, is even more remarkable – and no less accessible, despite lying among atolls, cays and islands some distance offshore.

Said to be the only life-form visible from the moon, the reef has for years disappointed tourists because they have found it difficult to experience first-hand. Not any longer. Anyone, whatever his expertise in the water, can appreciate what is one of the world's most extraordinary natural assets.

Some of its best features can be seen with the help of catamaran trips from Cairns or Port Douglas. They are the centres nearest to the reef, and services from there to its outer edges offer something to meet all tastes.

Those too scared or inexpert to see things first-hand, for example, can view it underwater from the glass-windowed bowels of a boat. For snorkellers, qualified marine biologists are ready to point out the reef's most colourful features. If you're a scuba diver you're close to heaven.

Shafts of sunlight reveal a myriad varieties of leafy trees, twisting creepers and exotic ferns

The reef's wonders are more distantly accessible from the Whitsundays, further south. But the real attraction of these 74 islands is the opportunity they offer yachtsmen to ply their craft. You can charter a food-laden boat from the mainland and hop from island to island. Tree-lined beaches and quiet inlets beckon you to stay.

The Whitsundays area is clearly the next major tourist development target after the Gold Coast and Cairns. One of Australia's most elegant resorts is there, on Hayman Island. No expense has been spared, and guests should be ready to adopt the same attitude to get the full benefit.

For snorkellers, qualified marine biologists are ready to point out the reef's most colourful features

Hamilton Island, owned and developed by the entrepreneur Mr Keith Williams, is pitched more at the middle to upper end of the market. The only island with its own jet strip, it is popular with foreign tourists and offers better-off Australians a chance to take a package holiday in their own country on a tolerable budget.

The big worry, of course, is that the Whitsundays, Cairns and the Sunshine Coast will follow the path blazed by the Gold Coast, which is a congested strip of land stretching south of Brisbane to the New South Wales border. Now overladen with skyscraper hotels and apartment blocks, it is more reminiscent of Miami than of anything Australian.

Overall, the state has already increased the number of its five-star hotels to 17, and has no less than A$5.3bn-worth of tourism projects firmly committed or under construction.

An unquenchable optimism has overtaken government officials and businessmen, who see tourism growing indefinitely at a pace which outstrips the past.

Multi-million dollar projects, some hopelessly ill-conceived, seem to vie with each other for extravagance, while those that seem to work are endlessly reproduced. The standard Queensland resort development nowadays, for example, consists not just of a luxury hotel, but also a marina and golf course and scores – perhaps hundreds – of condominiums which are sold to fund the development.

That is the basic story behind the development of Hamilton Island, the two Mirage resorts in Port Douglas and the Gold Coast, and Sanctuary Cove, also on the Gold Coast. And like night follows day, there's more to come: no site along the length of the Queensland coast has escaped scrutiny by private developers, land speculators or the state itself.

As with any rapidly-growing industry, tourism in Queensland has struck problems. One is sheer inexperience. Catering for the demands of the modern tourist takes patience, skill and common sense. As overseas visitors are discovering, Queenslanders are still learning this difficult art.

Compounding this difficulty is the fact that labour is a major overhead for hoteliers because of the overtime and other penalty rates they have to pay. Attracting and retaining a loyal workforce has become almost impossible.

Another problem lies with the state's airways. Brisbane international airport is widely regarded as an embarrassment, while Cairns will only be fully developed by 1991. This, and the protection given to Qantas in air traffic rights, is limiting the number of tourists who can come.

Also apparent are the telltale signs of the irrepressible march of modern tourism – noisy air-conditioned buses, over-charging, glitzy fast-food joints, empty beer cans tossed carelessly aside, ubiquitous plastic wrapping.

But the biggest question is whether the industry's future development can be managed sensibly and sensitively. Already it is generating a sharp local reaction – to over-destructive tourist developments, to the effect on land prices, and to the foreign (and especially Japanese) investment which often helps fund it.

There is no doubt that tourism is a major hope for the Australian economy, and that much of it is happening in Queensland. Indeed, if they do not get the formula right, neither the country nor the state will see hotels at last lighten their traditional dependence on farms and quarries.

But there is also a grave danger that Queensland will sully the very features which make it a tourist attraction. That would be a disaster.

Chris Sherwell

Chris Sherwell on Queensland-based entrepreneurs

New money made at astonishing speed

THE MAJORITY of Australia's new breed of entrepreneurs tend to come from Sydney, Melbourne and Perth. But Queensland has its own fair share of corporate movers and shakers. Their operations just happen to be smaller, and their names less well known.

The idea of "Queensland" entrepreneurs can also be a little misleading. While some are home-grown, having lived in Queensland most of their lives, others are newcomers – outsiders who have moved to the state in search of new opportunities.

Also misleading in Queensland is the idea of "old money". True, there are people like the McDonald family, with wealth built from a traditional cattle business. And it was in Queensland that Qantas began its flights in the outback, and British Petroleum got its original start as a mining company.

But most of the state's best-known businessmen have made their pile more recently, and in an astonishingly short space of time.

Take Perth-based Mr Alan Bond, for example, who has built up a strong presence in the state. He controls Castlemaine Perkins (brewer of XXXX) and Channel Nine television in Brisbane, has various mining investments and recently started Bond University, the first private university in Australia.

Of the home-grown group, one of the most prominent of Queensland's businessmen is Sir Leslie Thiess, who has built a fortune from land clearance, mining and construction through Thiess Bros and Thiess Watkins. A close friend of former premier Sir Joh Bjelke-Petersen, he has been one of the state's most powerful figures on the corporate scene.

Of the newer breed of Queensland-based entrepreneurs, the best-known would be 40-year-old Mr Christopher Skase, whose Qintex Australia has interests in television stations and hotel resorts.

A former journalist, he acquired a cashed-up shell in Tasmania in 1974 and, through a pattern of asset trading and share issues involving listed companies, built up a major media and leisure group which is still under his personal control.

Mr Skase became involved in Queensland through television, and eventually moved his operational headquarters to Brisbane in 1986.

In stark contrast to the smooth Mr Skase is the down-to-earth tourist entrepreneur Mr Keith Williams, owner of Hamilton Island in the Whitsundays. The only island with its own jet strip, it is Queensland's best-known and most accessible Barrier Reef resort catering to a wide market.

Mr Williams acquired a grazing lease on the island in 1975, and some years later won government permission to develop a major resort. So far he has spent more than A$300m on a hotel and related facilities, and another A$200m is already going on two more hotels, one of them now being built.

The project is generally reckoned to be a major success. Like Mr Skase with his Mirage resorts, Mr Williams has boosted cash flows to help fund borrowings through the construction and sale of private condominiums, apartments and land. He now holds a lease in perpetuity over the island, which effectively means he owns it.

Like the tourist kings, many property developers, architects and real estate agents have benefited enormously from the boom of the past few years in Brisbane and the Gold Coast, and especially from the strong migration trends from other Australian states.

It was in Queensland that British Petroleum got its original start as a mining company

One quoted developer, Kern Corporation, headed by Mr Barry Paul, claims to have developed and initiated A$2bn of commercial property over the past decade. Its major shareholders include the New Zealand financier Sir Ron Brierley and, controversially, two Queensland government entities, Suncorp and Treasury Corporation.

The most notorious of Queensland's entrepreneurs is Mr Bruce Judge, whose Ariadne group last year reported the largest loss in Australian corporate history, largely as a result of the October 1987 sharemarket crash.

The mercurial Mr Judge came from New Zealand, and built up a complex business empire spread across New Zealand, Australia, Hong Kong and the US with interests in property, finance and investment.

Long accused of impenetrable paper shuffling, he was eventually obliged to give up his position at Ariadne. He has since tried, so far unsuccessfully, to regain control. Though he retains some shareholder support, his overall standing remains low.

Unsurprisingly, successful entrepreneurs in Queensland's small and relatively less important manufacturing sector are few and far between. Mr Ross Palmer, founder of Palmer Tube Mills, is best known, having successfully challenged Tubemakers, controlled by BHP, Australia's biggest company. He has also acquired a higher profile since Mr Ahern came to power.

Also significant is GWA, which has expanding interests in such areas as furniture, bathroom fittings, domestic lighting and lawn mowers, and is increasingly involved in plantation agriculture, notably peanuts.

The most popular Queensland businessman currently, however, is Mr Bernie Power, whose Power Brewing group was floated last year. Its beer has already captured a large enough share of the local market to justify an expansion of capacity, and Mr Bond is worried.

One of the men behind Mr Power's success is Mr Paul Morgan, another of Queensland's newly-successful entrepreneurs. He founded the Paul Morgan stockbroking firm in 1982 which, among other things, underwrote the highly successful Paul Hogan film Crocodile Dundee.

The firm became Desk Morgan in 1986 after it acquired Desk Perera in the US. In order to expand further, however, it merged last year with New Zealand's Jarden Corporation to become Jarden Morgan, headquartered in Wellington and with interests stretching from Australasia across to Hong Kong, Singapore, London and Canada.

Knowledgeable Queenslanders like to add another, more surprising, name to a list of the state's entrepreneurs – that of Sir Leo Hielscher, the civil servant who ran the Queensland state government's Treasury for many years under Sir Joh Bjelke-Petersen's rule.

Though retired, he sits on the newly-formed Treasury Corporation's capital markets advisory board. Some reckon he has had more influence on the shaping of the state's economy than any other single individual – an accolade no other Queensland businessman or politician could possibly lay claim to.

AGRICULTURE

Sugar and beef lead the field

FLY north from Brisbane up Queensland's winding coast, above endless rectangles of green, and there is no mistaking the economic importance of the state's agriculture – especially its sugar cane.

Then fly inland, over the hills of the Great Dividing Range and across vast reddish-brown expanses of seeming emptiness. These tracts, too, are vitally important, for they support a thriving meat industry, especially large cattle herds.

The cattle industry is twice as large as the sugar industry when measured in terms of contributions to state production. Together, they dominate Queensland agriculture, accounting for some 45 per cent of the A$3.8bn gross value of rural production for 1987-88.

Indeed, the two are so large that Queensland is the foundation of both the sugar and beef industries nationally. Some 95 per cent of Australia's sugar is in Queensland, and 40 per cent of its beef cattle.

In terms of efficiency, moreover, both compete aggressively, and successfully, on difficult world markets. Though they have obviously suffered fluctuating fortunes, each can look forward to a long-term future.

The uncertainties are nevertheless numerous, particularly for sugar. From being one of the most heavily regulated of Australian industries, it is moving this July into a new deregulatory era which will affect production, milling, refining and marketing.

The key move, announced by the federal government last May, ends Australia's existing domestic pricing arrangements and lifts the long-standing embargo on imports. In their place will come a system of tariffs on raw and refined sugar, declining over three years to 1992.

The changes are designed in part to remove an awkward diplomatic problem. In international circles, where Australia is a leading campaigner for fairer trade in agriculture, protection for its domestic sugar industry is an embarrassment.

Of course the federal government argues that the move is justified in its own terms. But Queensland's 5,800 cane growers are irritated that the change has been made unilaterally – without securing reciprocal access to foreign markets.

About 80 per cent of Australia's annual raw sugar production of 3.7m tonnes is exported, some of it through long-term contracts and the US quota system, the rest on the world market. The other 20 per cent is refined for domestic consumption.

The way things have evolved, the Queensland government, under an agreement with Canberra, has hitherto acquired all raw sugar produced, arranged for its refining and made it available domestically at a specific price.

Originally this gave domestic growers a cushion of stability in their main market, which was local. Down the years, however, Australia has made itself one of the world's largest sugar exporters. The new changes mean that the cushion will disappear.

Everyone is now preparing for the new era. The most significant potential impact will be on CSR, the big Australian sugar and building products group. Not only does it have 36 per cent of the milling business, it also has 95 per cent of the country's sugar refining operations and is the sole marketer of Australia's sugar abroad.

Already it is clear that its toll refining arrangement with the Queensland government will change. But it is a matter of some debate whether its marketing monopoly will alter. CSR is widely reckoned to have done an excellent job. But many wonder if the results would not be even better if the task were shared out.

Sugar production, though it remains heavily regulated, is also changing. Growers are expected to boost production over the next two or three years by some 300,000 tonnes, and the 28 mills are expected to handle this by switching to seven-day working – a major change.

Compared to the developments in the sugar industry, Queensland's beef industry is going through less of an upheaval. But there, too, a rationalisation process has been under way over recent years, both in the cattle industry and the meat processing business.

Deregulation of sugar this July will affect production, milling, refining and marketing

Back in the mid-1970s, Australia had some 34m head of cattle. Being a cyclical industry, numbers fell back in the 1980s to below 20m, and are only now on the rise again, at 22m. At the same time some of Queensland's vast cattle stations, some of them the size of small countries, have been changing hands.

The biggest company, both in size and in numbers of head, is Stanbroke Pastoral, wholly-owned by the Australian Mutual Provident (AMP) Society, the country's largest life office and biggest institutional investor. It has 320,000 head of cattle spread over 94,500 sq km.

Other significant players include the the Australian Agricultural Company, one of the country's oldest companies, and the quoted Sherwin Pastoral, which has recently been the subject of competing takeover bids. There are also numerous family groups, and newcomers too – the entrepreneur Mr Robert Holmes à Court, for one.

Foreign participation has long been a feature of the beef industry – from Britain, Vesteys and Borthwicks, for example, and from the US a private Texan group operating under the name King Ranch. Currently, Japanese participation is growing rapidly, in parallel with the opening of its own domestic market.

Australia's major beef market remains the US, and according to Mr Bill Norton, Stanbroke's managing director, it is likely to stay that way. The high hopes for the newly-opened Japanese market, he says, are likely to prove short-lived because the Japanese prefer grain-fed beef and Australia produces pasture-fed beef.

Stanbroke's operations are a classic illustration of the way the Australian industry is run. Broadly speaking, cattle are bred and reared in the arid north-west of Queensland, then walked in large groups south, to the so-called channel country, for fattening. From there they go by huge "road trains" to market.

Like the cattle-raising industry, the Queensland meatworks business has also undergone a recent rationalisation. Most importantly, four competing companies came together to form Australian Meat Holdings. This included the interests of such corporate conglomerates as Elders and Adelaide Steamship. But it went one step too far when it tried to acquire the interests of Borthwicks in North Queensland.

The Trade Practices Commission, Australia's anti-trust agency, stepped in and won a decision in the courts ordering some divestment. The group appealed, and last month the outcome was still awaited.

Of course, Queensland's success in agriculture stretches beyond sugar and beef, to lamb, wool, dairying, fisheries, tropical fruit, wheat and peanuts. But none looks like overtaking these two. As for longer-term worries, the main one for the government, as in other states, is soil erosion and land degradation. That is a challenge yet to be taken up.

Chris Sherwell